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AT HOME AND ABROAD

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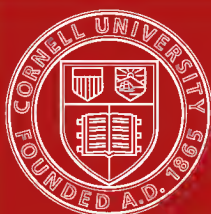
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CO-OPERATION AT
HOME AND ABROAD

CO-OPERATION AT HOME AND ABROAD

A DESCRIPTION AND ANALYSIS

BY

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PREFACE.

It is perhaps injudicious for the young author to recommend any portion of his wares, but I trust I may be pardoned the expression of the hope that the general argument conducted in Part II., Chapters X. and XI., will throw to some extent a new light on one aspect of modern agriculture.

I have been occupied with the composition of this essay during the greater part of the last three years. I began the study of the subject quite accidentally in the course of reading the general literature which awaits the student who is interested more especially in the living side of Economics. Being an Englishman, I first became conversant with those branches of Co-operation which are most developed at home, but on reading the reports of the International Co-operative Alliance, which holds its congresses from time to time in different countries of Europe, I became aware of the exceedingly complex and diverse nature of the subject. The questions naturally presented themselves: what are the common factors in the co-operative movement, why is one form more developed in one country than in another, why in any given branch does

one country differ from another, what are the relations in any given country between the different branches. This essay is an attempt to answer these and similar questions.

To the end in view it was necessary to bring under examination the whole range of co-operative activity. I have therefore included every branch of co-operation in the ordinary interpretation of the word. But there are many countries in Europe ; and in practically all of them co-operation flourishes to a greater or less extent. Having therefore to make a choice of countries, I selected those seven which so far as I could see were the most important, namely, the United Kingdom, Germany, Denmark, Switzerland, France, Belgium, and Italy. Each of these presents some peculiar phase, the exclusion of which would have left the picture incomplete. The most prominent omissions are Scandinavia, Holland and Austria. So far as I can tell from second-hand information, these countries offer no new problems : Austria is a striking replica of Germany, Scandinavia in a lesser degree of Denmark, while Holland has done little which is not done in Denmark or Germany. It may be suggested that these three should have been included as well ; but I felt, if I was to treat the material adequately, the burden was already as much as I could carry.

I have endeavoured to equip myself by personal investigation in the several countries. In the summer

of 1906, I visited for this purpose Manchester and Leicester (England); Dublin, Enniscorthy, Londonderry (Ireland); Gand, Bruxelles, Louvain, Liège, Verviers (Belgium); Hamburg, Berlin, Neuwied, Darmstadt, Kassel, where I attended the Annual Congress of the Schulze-Delitzsch Co-operative Banks (Germany); Kopenhagen, Odense, Askov, Lyngby (Denmark); Basel, Winterthur (Switzerland); Milan (Italy); Paris (France). In June, 1907, I again visited Paris, where I worked at the documents in the Musée Social, and also the South of France. In September, 1907, I attended the Congress of the International Co-operative Alliance at Cremona (Italy), and in connection therewith visited the neighbouring co-operative institutions.

Having thus studied the subject at first hand, I have some hope that, though doubtless committing slips of interpretation and analysis, I have made no glaring blunders in proportion, such as one is liable to make from a mere study of literature and statistics.

The knowledge I obtained from my investigations came in three ways. First, observation of co-operative establishments. This I did not find particularly valuable. A co-operative dairy, for example, is not unlike any other dairy which is fitted with modern appliances. What I tried to find out was not how milk is churned or tea is packed, but what is the significance of the establishment to those who are members of it. Secondly, conversa-

tions with leaders and officials of the movements. These served rather to clear up particular points than to provide any groundwork. Perhaps they were most useful in directing me to the best written sources of information. Thirdly, books and reports and pamphlets, of which I have collected several hundred.

I have appended a list of the books, reports and major pamphlets which I have consulted, and nearly all of which I possess. Throughout the text I have made references to these works, where the statements seemed more particularly to require support. An exhaustive Co-operative Bibliography with 5761 entries in 12 languages was published by the International Co-operative Alliance in 1906 (P. S. KING & SON).

As to the method of the essay, a dual treatment is followed throughout, either explicitly or implicitly, in such a way as to make the work of description and comparative analysis complementary. If the work seems over long, I can only plead that from the nature of the subject analysis without description would have been unconvincing; and description without analysis, though perhaps interesting, of little value; while to have cut out any single portion would have defeated the main object of presenting and studying a complete picture.

In conclusion I beg to acknowledge with gratitude the obligations which I have incurred in the course of my research.

First, to the University of Cambridge, for a grant from the Worts Fund for the purpose of Continental travel; and to the London School of Economics, where I have held the Shaw Research Studentship, 1906-8.

Secondly, to different leaders and students in the Co-operative movement, both here and abroad, for their truly co-operative kindness; especially to Mr. H. W. Wolff, for letters of introduction in foreign countries.

Thirdly, to Messrs. W. T. Layton (Gonville and Caius College) and J. M. Keynes (King's College) for correction of the proof sheets; and to my sister for assistance in the compilation of the index.

Fourthly, and finally, to the two teachers with whom I have been most in contact during the last three years, Professor Edwin Cannan and Professor Alfred Marshall.

August, 1908.

CHRIST'S COLLEGE,
CAMBRIDGE.

Note.—Co-operators will probably find it more interesting to omit provisionally Part I. (Banks), which deals with a form of co-operation unfamiliar in Great Britain. However, for the guidance of English readers, a glossary is appended, p. 393, giving an exact translation of the German terms, occurring more particularly in this part. A few blank pages are placed at the end of the book for notes.

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CO-OPERATION AT HOME AND ABROAD.

INTRODUCTION.

Definition of Co-operation—Classification of Co-operative Societies.

“ECONOMICS,” says Professor Marshall in the opening words of his “Principles,” “is a study of mankind in the ordinary business of life”; and co-operation is one way of conducting certain parts of this business.

As an aspect of business life, co-operation is concerned with free men in self-regulated action. It is not a form of charity organisation. The latter is concerned with the sick man, as such: it exists to heal his wounds and send him out whole from the hospital for another venture on the path of free life. In proportion to its success, its field of activity diminishes, for the aim of charity is, or should be, to abolish charity. “The poor ye have always with you” is not an ultimate pronouncement, but a practical home-truth. Co-operation is to charity organisation as prevention is to cure. Its first concern is the weak, but it is the concern of weak men for themselves, so to conduct the ordinary business of life that they may develop to the full their own welfare and that of their fellows.

Being not only concerned with business, but actually one way of conducting business, co-operation has a range of potential activity that is as wide as the business of life itself. It is only limited in the sense that in some departments a form of organisation, which is not co-operative, is at present from a business point of view superior.

What then is this way of conducting business, which forms the subject of our inquiry? It is the way of co-operation or working together.

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The word, however, must bear a special meaning; for clearly in the bare sense of "working together" co-operation covers every possible form of business organisation. Thus the progress of a piece of iron from its bed in the ground to its installation in the workshop as a delicate machine involves a repeated series of co-operations, in the mine, in the warehouse, on the railroad, in the foundry and on the market. Within a single establishment the workers co-operate among themselves and with their master; on the outside market single establishments co-operate with other establishments in the performance of services or the delivery of commodities.

But these co-operations are not the Co-operation of our inquiry. They are contracts for mutual service, in which the connecting link is one of money. Such contracts end when the single service or series of services has been performed; and their renewal depends on the will of the contracting parties. The parties themselves are constantly being rearranged, in so far as and as often as either considers it to its own advantage.

Co-operation in the sense of our inquiry implies a bond of union over and above the casual relations of the money tie; it implies, that is to say, a co-operative *society* in which the associated members join together for the attainment in common of some business purpose. There is no necessity that the compact should be perpetual, but each member, as long as he remains so, binds himself to regulate his relations, in so far as these concern the society, in the interests of the society as a whole.

Since Co-operation is concerned with the conducting of business, that is to say, with trade, the Co-operative Society differs both from the Friendly Society and from the Trade Union.

The Friendly Society teaches thrift and foresight. It makes provision against death, accident, sickness and old age. What concerns it as a body is not its members' business, but the fruits of that business, namely their savings, which it is its function so to dispose that the members may enjoy them at the time and in the way that

they will be most serviceable. Of course, some of the funds of the Friendly Society are invested in trade, but this trade is not conducted in conjunction with the Friendly Society.

The Trade Union is, as its name signifies, intimately connected with the operations of trade, but the Trade Union cannot trade. In the single field of its activity, namely in what is called capitalistic industry, the Trade Union exists primarily to bargain with and, if necessary, to fight the employer on behalf of the employees; the employer, the business head, being by hypothesis excluded from it. If it has any other functions, they are those of the Friendly Society.

This is as far as the differentiation of Co-operation by formal definition can be carried. But the resultant term, "association for purposes of joint trading," is still inadequate.

The different forms of trading combinations, Trusts, Kartels, Rings, would in this case have to be classed as a part of Co-operation. Between certain kinds of Combination and certain kinds of Co-operative Society, there is no difference of structure; and, in fact, some associations of co-operative producers do pass quite insensibly into a Kartel. But, if the Co-operative Society is true to itself, there is a real difference between them, which is one of motives and atmosphere. Both no doubt seek first and foremost to benefit their own members. But, while the Combination is an association of the strong to become yet stronger, bold, unyielding and exclusive, the Co-operative Society is an association of the weak, who gather together and try to lift themselves and others out of weakness into strength. Industrial Combination is a force: Co-operation is an idea. If one admires Rockefeller, one reverences Vansittart Neale. Like most great ideas, Co-operation was born and fostered amid jeers and suspicion: and when it justified itself in deed, it was taken up by many, who neither knew nor appreciated its early struggles. There is often more of the co-operative aroma in the early days of weakness than in the latter days of strength. The stronger the Combination, the clearer is the essence of the movement after which the enquirer is

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searching. But as Co-operation spreads in the different lands, it seems at times as though the co-operative ideal were being lost amid an imposing array of figures and federations, until one asks:—Was it for this that the pioneers toiled and suffered?

It would be unreasonable, after premising that the object of Co-operation is to make weak men strong, to consider co-operative societies un-co-operative, because at their maturity they present evidence of their strength. But it is essential to the co-operative idea that the matured society should keep its ranks open to the weaker brethren who are still without, and never pursue strength at the price of their injury or neglect.

Nay more, even if we suppose that the members of a co-operative organisation include everybody in that particular department of business, let us say, dairy farming, so that they could without injury to any of their own kind put forth all the strength of a national Combination, yet they are still bound implicitly by those precepts of unselfishness and public spirit, which no co-operative organisation in any land has ever omitted or renounced, to deal with those outside them in a spirit not less of generosity than of justice.

It is the same difference of atmosphere which at bottom marks off the Co-operative Society from the Joint-Stock Company. The legal distinction, as we shall observe below,¹ is more explicit:—the Joint-Stock Company is a union of capitals, the Co-operative Society a union of persons: so that in the latter the membership and capital are variable and its shares generally non-transferable. But this is a legal metaphor. Capitals cannot of themselves unite any more than bricks. Both the Joint-Stock Company and the Co-operative Society are unions of men (and women) who either own, or are in the way of acquiring, capital for their business. As will appear in the signal instance of Denmark, genuine co-operation can flourish under joint-stock company regulations. The ultimate criterion is this: are the members prepared to admit to the

¹ Cf. Legal Appendix, pp. 363-8.

benefits of their society on proportionately equal terms all those who, being of suitable character, are commercially as weak as or weaker than themselves? If so, the society is co-operative.

✓ We have therefore as our final definition of the Co-operative Society an association for the purposes of joint trading originating among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards in proportion to the degree in which they make use of their association. Any narrower definition runs the risk of excluding much that claims, and is recognised, to be co-operative.

In the light of this definition, we shall examine the four main departments of co-operative effort.

- I. Co-operative Banks (usually called Credit Societies abroad).
- II. Co-operative Agricultural Societies.
- III. Co-operative Workers' Societies.
- IV. Co-operative Stores.

It will appear in the course of the analysis that in all but the workers' societies the *act* of co-operation resolves itself ultimately into this:—the assumption by the members of certain functions of organisation and management hitherto neglected, or inadequately performed by third parties. In the Workers' Society, however, which is a unique form of co-operation, the members take over functions which are already adequately performed, but not under conditions of employment which satisfy the workers concerned.

I., II. and III. are Associations of Producers; IV. only are Associations of Consumers. This four-fold classification covers the whole field of co-operative activity; and its pertinence becomes clear when we consider closely the province of each, as a trading body.

I. The co-operative credit society, which exists to supply individual producers with money on good terms, is of two kinds, the town credit bank and the rural credit bank. The first is predominantly an association of industrial producers: the second entirely an association of agricultural producers.

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We begin with credit because it is the preliminary process of productive effort. We shall have occasion to elaborate considerably the technical operations of the credit society inasmuch as these, unlike the ordinary operations of production and distribution, do not by mere recital commend themselves to the intelligence.

II. The co-operative agricultural society follows next, being structurally similar to and in most cases intimately connected with the co-operative credit society. In both these forms of co-operation, the members use the co-operative society to assist them as independent productive agents and not to supersede this independence. The society in other words provides for its members a kind of common channel, either for the supply of materials to be made use of by them as individuals, or for the disposal of produce already individually raised.

The co-operative credit society is a channel of one kind only; it conveys to the producer the money which he requires as productive capital. But the co-operative agricultural society covers a number of different channels. The first channel is the supply society, which provides the farmer with the materials of agriculture, just as the credit society provides him with money. The second channel is the productive society, for example, a co-operative dairy, which takes the raw produce he has raised on his farm, transforms it and sells it on the market. The third channel is the sale society, for example, a co-operative egg-selling society, which takes produce that is ready for sale in its original form and sells it in like manner.

It is thus apparent how much wider is the term "Association of Producers" than the term "Productive Society." The "Association of Producers" covers not only the agricultural productive society and the agricultural selling society, but also the agricultural supply society, and not only these three, but also the credit bank; for the *raison d'être* of all these societies is the independent producing farmer.

III. We have seen that there is the credit society in the country and the credit society in the town; and that there

is next the agricultural society. We might expect, as a parallel to the latter, the industrial society, which would be connected with the credit society in some similar way. But the industrial society, in the sense of a society composed of industrial workers, independently operating, who use the society to provide themselves with materials or to sell their products, is practically non-existent.

Instead of the industrial society, there occurs the workers' society. Such a society is structurally a capitalistic concern, in which there is no employer; for the employees are their own employers, working under a self-appointed manager. The members of a workers' society are no longer independent producers, as are the members of an agricultural society. In compliance with the requirements of modern industry, they surrender their independence for co-partnership in a common concern. In the workers' society the daily work of the co-operating members is co-extensive with the actual co-operative processes, and the co-operating members are the workers themselves; whereas in the agricultural society, for example, in the dairy society, the daily work of the members is farming and not the co-operative processes of butter making, and the members are the farmers, not the dairy operatives.

This completes the organisation of co-operation from the standpoint of the producer.

IV. The co-operative store is organised from the standpoint of the consumer. Its members make their living in occupations with which the store, as such, is not immediately concerned. It does not therefore exist to enhance directly the productive effort of its members, but only the income derived from that productive effort.

The store is engaged in the production and distribution of utilities, but it reverses the standpoint from which, and consequently the order in which, the work is undertaken. Ordinarily, the producer produces and then looks towards the wholesale dealer; the wholesale dealer deals with the producer and then looks towards the retail shopkeeper; the shopkeeper stocks his shop from the wholesale dealer and then looks towards the consuming public. The store also

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takes part in each of these three creative stages, but it begins at the opposite end and regards the creation of utilities from an opposite standpoint. A number of consumers unite and, as an association of united consumers, they begin with the organisation of the utility nearest to their hand, the organisation of retail distribution. The single associations of consumers unite with other associations and go back one step further from themselves to the organisation of wholesale distribution. The associations united for wholesale dealing go back one step further from the original association of consumers and themselves organise production. The association of consumers may thus assist at all the stages in the life of a material commodity starting from the last stage backwards up to the first.

It is obvious that the store may engage in exactly those departments of business, which are undertaken by the agricultural society and the workers' society; and in this case the classification into Associations of Producers and Associations of Consumers provides the only relevant line of demarcation. Thus the co-operative dairy produces butter, and the co-operative workers' society produces, let us say, boots. The co-operative store may also produce butter and boots under exactly the same business exterior. But whereas the gravity point of the former is respectively the farmer's field and the workers' factory, the gravity point of the latter is the store room of the consumer's own house.

The relevance of such a classification is well illustrated in the statistics of the United Kingdom.¹ Here the store, which is the oldest and predominating form of co-operation, is classified by the Labour Department as a "distributive" society. Some years ago the Irish farmers began the co-operative selling of eggs; and because this is a process of "distribution," the egg selling society is separated from the other farmers' societies and classified with the stores, although it is clear that the dairy and the egg selling society are integrally connected as two forms of co-operative association from the standpoint of the producing farmer.

¹ Cf. 11th Abstract of Labour Statistics, p. 156.

The three forms of association of producers and the single form of association of consumers exhaust the whole field of co-operation ; and these in the order enumerated constitute the scope of our inquiry.

We shall, however, for reasons of convenience, omit or pass with a bare reference certain special kinds of society, which are co-operative in the sense in which we have defined the word.

These are :—

(1) Building Societies, which are practically co-operative stores, for the supply of houses first and second hand, on the easy payment system.

(2) Those Friendly Societies which, in the course of their friendly work, do the work of a co-operative store in the supply of medicinal requirements to their members.

(3) Co-operative Insurance Societies (“mutualités”), which, especially when they concern themselves with the insurance of utilities in the course of production—such, for example, as the insurance of live stock—are aids to production, in much the same way as the credit society.

These three types of society have special problems of their own, and they do not enter into the ordinary course of regular trade to the same extent as the other branches of co-operation. Co-operative legislation in certain countries, and the majority of co-operative statistics, agree in keeping these societies apart. We should have treated them in separate appendices, but for the large space demanded by the ordinary co-operative societies.

It will have been apparent from the foregoing section that there was a sudden break of structure in passing from the agricultural to the workers' society. This break marks the profound difference between industry and agriculture.

An increasing number of industries are progressing in the direction of large-scale organisation, which involves the replacement of the small workshop by the big one, and as a corollary to this, the replacement of many small masters with a few assistants by a single employer with a large number of employees. These are predominantly machine industries, which lend themselves to the standardisation

of processes. In such an atmosphere there is obviously no place for co-operation among small industrialists. It is doubtless true that small men frequently make the first experiments and discoveries in new industries that are ultimately taken over by big men, and that for such small men there will be openings, so long as a nation retains inventive vigour. But just in proportion to their talent, these small men quickly rise to be big employers, for whom a co-operative form of association has no attractions.

But there are also industries from which machinery, the chief impetus to large-scale organisation, seems permanently or for a very long time excluded: all those industries, in fact, where the material handled is very delicate and irregular. Here then are possible subjects of co-operation; here we may expect to find associations of small producers standing to co-operative town banks in the same relation as associations of small farmers to co-operative rural banks. But we do not; and the explanation appears when we consider the main tendency of agriculture and the reason why small farmers co-operate.

The trend of modern agriculture is not towards large-scale organisation. As we shall attempt to show, from causes peculiar to the cultivation of land the small agriculturist is in increasing branches of cultivation more than holding his own.

Small agriculturists naturally establish and develop their various co-operative associations for supply, production and sale for the reason that they must give their own main energies to farming, while controlling, without personally working, those subsidiary channels into which co-operation enters. But the small industrialist has not this objective of a given small area on which to concentrate his efforts. When he purchases his raw materials, it is not to put them in the soil, but to transform them at once himself into the final form in which he wishes to sell them. Buying the raw materials, working them up and placing them on the market in such a way as to suit the different needs of his customers, are for the industrialist closely connected operations, from which he has no interest in separating himself, in order to

devote his main time to incubating, as it were, his raw materials. He must act with more speed, directness and elasticity than would be easy if he were co-operatively associated. Hence it is that although there are abundant independent small-scale workers, temporarily in some industries, permanently in others, there is no co-operation among such men, except where, as in Germany, such associations are kept alive by the Municipality or State.

The question of retail trading is on a somewhat different plane, since into this part of productive activity machinery from the nature of the case does not enter. The contest is between the personal attentions of the small man and the economies of arrangement and concentration of the "grand magasin." Whether the small shopkeeper preys on his customers or not, it is certain that he is only in a few places and in certain lines being ousted by the "grand magasin." He has, however, another kind of rival in the co-operative store, which is to him just as antagonistic as the "grand magasin," and in the province of the store's custom, namely among the wage-earning class, he is repeatedly finding himself expelled or curtailed, not merely because the store has within itself the possibilities of large-scale economies, but because it has those peculiar advantages which arise from its organisation from the standpoint of the consumer. Here also it might be urged, as it has been in Germany, that shopkeepers should retaliate by co-operating among themselves, but here also such co-operation is practically non-existent because, as with the independent producer, it would be superfluous and would step in at those points at which the small shopkeeper, if he is intelligent at all, wants freedom and elasticity.

We see therefore that the small industrialist has no need for a kind of co-operation which does not leave his main work of production or distribution to himself. He has need of the co-operative town bank, because this supplies him with funds, with which to operate on his own account, and no more. The small agriculturist, on the other hand, has need not only of the rural bank, but also of the other forms of productive co-operation, because both kinds are necessary

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in order that he may concentrate on his special work, namely, farming.

The question of small-scale *versus* large-scale does not enter into the co-operation of the workers' society, because here the co-operator is the dependent member of a single concern and the size of this concern has no reference to the question of its co-operative character. The co-operative note is the assumption by men in the humble position of wage-earners of positions ordinarily occupied by an industrial superior. It is only because these functions are so hard to blend that the province of the workers' society is limited.

As we shall show, the co-operative store, as a distributive unit, has within its reach the main economies possible in this branch of business. When in addition it is a producer, it operates on a large scale, because its chief producing unit is the federation of stores, which is potentially unlimited in size. Moreover, the existence of the co-operative store itself is a reflex of the introduction into industry of large-scale organisation; for then first emerged a definite working class, dissociated from the control of productive effort, which proceeded to organise its members as wage-earners in a Trade Union, and as wage-spenders in a Co-operative Store. Accordingly, these members, in so far as they realise their dream of a co-operative commonwealth, in which the federation of stores is the main industrial producer, will merely exchange their position as wage-earners to an outside employer for one as wage-earners to a centralised body which they, as consumers, control.

As the result of this preliminary survey, we have left, as the most comprehensive and unlimited provinces of co-operation, the association of agricultural producers in all its forms on the one hand and the association of consumers or co-operative store on the other. The same line of division separates these two, which separates industry and agriculture generally.

It is indeed the case that agriculturists no less than inhabitants of towns, since they must to-day purchase many of their necessities on the market, have an interest in

securing an efficient supply of them and that they have established co-operative stores for this purpose. But we shall be justified in examining these in conjunction with the agricultural supply societies, organised from the standpoint of the producer; for in the country the store cannot develop, beyond a certain point, what we may term, a store movement. The member of a town store will have reason to rejoice, if the industry in which he is engaged is taken over from his present employer and conducted by the store, as one of the productive departments of its central federation. But obviously the farmer in the country store, who is at the same time perhaps a member of a co-operative dairy, will not encourage his store to set up a dairy department in opposition to himself and his fellows.

Again, the town store may desire to set up productive departments on the land, as we shall see has actually happened in the United Kingdom; but, in so far as our main contention as to the superiority of small-scale production by independent farmers in dairying and similar branches of agriculture is valid, the store is unsuited to this task.

The line of division is, therefore, permanent, in the sense that agriculture and industry possess a fundamental difference of kind. But this does not imply a conflict of interests. Each organisation within its province can be adequate without injury to the other. Where the two meet, mutual relations may be established. The agricultural society may sell direct to the store: and the store may furnish the agricultural supply society with certain of the provisions, produced or bought by its Wholesale Federation. The development of mutual relations on these lines is to-day playing an important part in the creation of a feeling of unity between these two main wings of the co-operative movement.

PART I.

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BANKS.

CHAPTER I.

GENERAL CHARACTER.

Personal Credit—Contrast between Ordinary Banks and (Co-operative)
Land Banks.

CREDIT is the provision of ready capital, usually money, by one party, the lender, to another party, the borrower, in return for security of repayment given by the latter. The sum lent is the loan. The fee paid for the use of the capital is the interest. This work is undertaken professionally by two classes of people, the banker and the money-lender. A bank belongs either to an individual or, more often, to a company: a money-lending concern almost always to one or two individuals, generally of disreputable character, dealing preferably with unfortunates. The co-operative credit society is a bank of a particular kind. It assists first that class of people who would otherwise be driven to a money-lender; and it competes also with regular banks for the custom of the small man, whether farmer or townsman. The distinctive features of the co-operative bank are two: (1) that the banks are controlled by the members who make use of them; (2) that the credit given is of a personal kind. We shall therefore omit those credit associations which, though controlled by the borrowing members, do not grant credit on a personal security, such, for example, as the Land Banks¹ in Germany and some other countries. The credit there is real credit, granted on the material security of land or fixed property in the borrower's ownership and not on the security of personal character.

The ordinary industrial bank is concerned more or less with the personal character of its clients. But it is hard for the small man to prove that he is sound and still harder

¹ Cf. for a full discussion of these, H. W. Wolff, *Co-operative Banking*, Cap. IX., *Co-operative Mortgage Credit*.

for the bank to test him. The co-operative bank removes both these difficulties. Because it is his own bank the member has no shyness or fear in applying to it. Because the members know one another as business neighbours, they can gauge the borrower's credit worthiness without an expensive or hampering supervision.

Co-operative banks are of two classes, according to the occupation of their clients: town or industrial banks, and rural or agricultural banks. This division is not quite thorough, since in some countries, *e.g.*, Germany and Italy, the bigger farmers usually keep their accounts with the town banks, not being able to obtain sufficient accommodation in the small rural bank. But it is nevertheless true that the small industrialist is the *raison d'être* of the town bank, as well as its controlling influence. The term "People's" banks might be aptly applied both to town and country banks, but I shall follow Continental usage in confining it to the former.

CHAPTER II.

GERMANY: THE CREDIT UNIT.

Originators: Schulze-Delitzsch and Raiffeisen—Historical Résumé of their Work.

- I. Town Bank: Schulze-Delitzsch Model—Technical Operations—Funds, how Raised—Funds, how Employed—Management of Bank—Achievements—Relation to Industry in General.
- II. Country Bank: Raiffeisen Model—Distinction at Outset: Emphasis upon the Moral Element—Technical Operations—Funds, how Raised—Funds, how Employed—Management of Bank—Achievements.

GERMANY is the parent-country of co-operative banking, and the pioneers there of the town and country banks respectively were Herr Schulze, Mayor of Delitzsch, and Herr F. W. Raiffeisen, burgomaster of a group of villages round Neuwied. Both were men who had seen government service. Schulze-Delitzsch was a judge and a member of the Prussian National Assembly of 1848: Raiffeisen, ex-soldier and wine merchant, who even to the age of eighty, when he was sick and blind, had a marvellous facility for arithmetical calculation, directed the building of the railroad on the left bank of the Rhine. Both broke entirely new ground, although Schulze-Delitzsch had learnt the powers of thrift from our English Friendly Societies, and Raiffeisen had seen from the public savings-banks and Schulze-Delitzsch's own institutions how some of the larger farmers could be accommodated with credit. Both began with an individual effort to relieve the distress in their particular districts. Both ended with the conviction that improvement was only possible when it depended upon and came from the people themselves. 1848 was a year of distress general throughout Europe. In 1849 Schulze-Delitzsch founded a Friendly Society for relief in sickness, and in the same year an association of shoemakers for the purchase of raw materials. In 1850 he founded in Delitzsch-Eilenberg his

first loan society with ten members, all artisans, and remodelled it two years later as a self-supporting institution with a capital and shares. He saw that the lack of good credit was at the root of the small man's helplessness and that this credit could only be provided, if the small man by self-help organised himself to obtain it. In 1848 Raiffeisen founded at Weyerbusch (Coblenz) a co-operative society for distributing potatoes and bread to the poor. Next year he founded at Flammersfeld in the Westerwald a loan society for the support of unprovided farmers; the members, however, were rich philanthropists, who sold cattle at easy rates to unorganised farmers, they were not the farmers themselves. In 1862 he founded another loan society at Anhausen, in which the borrowing farmers were themselves the members. He also saw that the poor required no donations of money, but the organisation necessary to command this money for themselves. Neither Schulze-Delitzsch nor Raiffeisen had a government commission to establish credit banks. Their sympathy stirred them to efforts of relief: their experience shewed them the conditions under which permanent improvement was alone possible: their genius created triumphantly the conditions which contemporaries thought to be unattainable. Schulze-Delitzsch was first in the field, but Raiffeisen worked out his own organisation, though acknowledging the priority of the other. Schulze-Delitzsch blinked suspiciously, when he detected certain variations from his own regulations. Raiffeisen held boldly to his position. Both observed that they had solved a great problem by principles essentially the same: neither realised that their differences of method were due to, and justified by, differences of environment. Now the German mind is peculiarly prone to proceed by formulæ. It draws from observation or study conclusions which in their place are correct. It celebrates their discovery by promoting them to an "ism" which, applied regardless of environment and context, is incorrect. An "ism" is to its disciples a universality: variation from that "ism" is heresy and not an intelligent application of one principle to different conditions. Hence the party of Schulze-Delitzsch

railed at Raiffeisen for methods which in the town would have been insecure: the party of Raiffeisen reproached Schulze-Delitzsch for methods which in the country would have been exclusive. Schulze-Delitzsch was right in raising share capital for his town banks: Raiffeisen in rejecting it for his country banks. Being Germans it did not occur to them to conclude, or if they concluded to confess, that each was right in his own line. To-day if you question a member of a Schulze-Delitzsch bank about Raiffeisen institutions, he turns up his nose and patronises them as unsafe "charity" banks in a tone of contemptuous pity. If you question a member of a Raiffeisen bank about Schulze-Delitzsch institutions, he shakes his head and apologises for them, as for heretics convicted of capitalism and exclusiveness.

The history of this dual growth may be briefly resumed as follows:—

¹ In 1856 Schulze-Delitzsch published his book defining the scope and object of his work. In 1859 he organised the first congress of banks, which resulted in the establishment of the "Allgemeiner Verband der deutschen Erwerbs—und Wirthschafts-Genossenschaften" (General Union of German Industrial Co-operative Societies), of which he was director up to his death in 1883. In 1867 he secured from Prussia the first co-operative law, which was converted into an imperial law in 1889, when limited liability was permitted to all forms of co-operative society. Accordingly a number of banks have limited their liability, justifiably enough in some cases, considering their commercial strength, in other cases in order to entice subscribers into an unsound institution. Out of 913 banks in 1905 no fewer than 284 had limited liability.²

³ Raiffeisen took some time to work out his scheme of rural credit. At first he contemplated a dual system, as laid down in the first edition of his book "Die Darlehenskassenvereine" (Loan Societies) (1866), employing the

¹ Cf. Dr. Krüger, *Vorschuss-und-Kredit-Vereine*, Cap. I.

² *Jahrbuch, des Allg. Verb.*, 1905, p. LV.

³ Cf. Dr. F. Müller, *Die geschichtliche Entwicklung des landw. Gen.-wesens in Deutschland*, espec. section 2.

Anhausen model in purely agricultural districts and the model of the Heddesdorfer society, which had share capital in imitation of Schulze-Delitzsch, in districts with a mixed population. But by 1873 Raiffeisen had determined to abide entirely by the Anhausen model, which is accordingly the model known as the "Raiffeisen bank." In 1877 a general union was established calling itself finally in 1899 the "General Verband ländlicher Genossenschaften" (General Union of Rural Co-operative Societies), which covers the whole of Germany but is recruited mainly from the West. ^A Raiffeisen died in 1888.

However not all the country banks owe allegiance to Raiffeisen's General-Verband. In 1883, the Hesse Union of agricultural societies established the "Vereinigung der deutschen landwirtschaftlichen Genossenschaften" (Union of German Agricultural Co-operative Societies), now "Reichsverband" (Imperial Union), which admitted credit societies to formal membership in 1888. The difference between the bodies concerns mainly the relation of the banks to other branches of agricultural co-operation, the bank itself being operated in both cases on the same principles. In 1905 the two organisations amalgamated.

We have therefore to analyse two models only of co-operative bank, (A) that of Schulze-Delitzsch, (B) that of Raiffeisen.

1. SCHULZE-DELITZSCH MODEL.

The Schulze-Delitzsch credit bank is an association created to provide credit facilities for its members only. The necessary funds are raised by two means, one material and the other immaterial, share capital and unlimited liability. Each member must subscribe one share, and, where as is usually the case liability is unlimited, one share only. The society has thus a variable, and provided it is not decaying, an increasing capital. The share is fixed as high as possible, *i.e.*, as high as it can be without shutting out small industrialists, who have credit needs to satisfy. The actual sum varies from society to society, but the minimum is about £6. The object of the large share is

two-fold, the provision of a working capital and the encouragement of self-help and thrift. The latter object was especially prominent in the eyes of the founder. The share can be paid up at once or in small instalments, all profits being credited to a share until it is fully paid. It is to the interest of a member to pay up his share as soon as possible, because he receives dividend upon the amount paid up only.

The profits of the society are distributed in two parts: one part to the reserve fund and the remainder to the shareholders, according to the size of their shares. The reserve fund, which is obligatory by law, usually amounts to about 20 per cent. of the share capital. The entrance fees of members, which are of small amount, are added to the reserve fund. It is customary to devote all the profits of the first year or two to the reserve fund and afterwards 15 to 20 per cent. The reserve fund can only be used to cover losses; and any shrinkage must be immediately replaced.

Shares and reserve fund, together with unlimited liability, where this occurs, constitute the secure basis on which further supplies of capital are obtainable. These are (a) deposits, (b) re-discounts by an outside bank.

Deposits may take several forms:—

¹(1). Small savings accounts (*Spareinlage*) either of non-members, who therefore cannot borrow, or of members, who do not borrow. This generally is a desirable means of adding to capital, and often essential to the bank's successful operation. It is cheap; 3 to 3½ per cent. being sufficient to attract money, while at least 5 per cent. is charged for its subsequent re-employment. The co-operative banks, having a more remunerative use for their money, are generally able to offer better terms to depositors than the savings banks, first by a higher rate of interest, secondly by reckoning interest from the day of deposit to the day of withdrawal, instead of by clear months. It is steady; since the chief holders are not traders who continually withdraw and replace their funds, but savers purely and simply, clerks, wage-earners, peasants in agricultural districts, and

¹ Cf. Dr. Krüger, *op. cit.*, Cap. V.

especially junior members of families who perhaps contemplate marriage and the acquisition of a house. It is found that the savings accounts are higher in small than in large towns, where the banks have to face the strong competition of municipal savings and ordinary banks. Although savings are usually reliable and steady sources of capital, they are apt in times of stringency to be suddenly withdrawn in large quantities. If therefore the proceeds were invested in three month loans, and a number of depositors were to demand their money at the same time, the bank might come to a sudden collapse, not because any of its advances had gone wrong, but merely because of a momentary lack of funds. The contingency is generally guarded against by fixing a notice term (*Kündigungsfrist*) varying from two weeks to twelve months. This is made agreeable to depositors by grading the rate of interest according to the length of the term. The bank cannot be legally called upon for payment within the agreed term, but it is usually prepared to pay on the request of depositors, who, however, in this case forfeit the proportionately higher rate of interest.

(2). So-called "deposits" (*Depositen*) differ from the savings accounts by being larger in amount and held often on shorter notice. This department requires to be handled with considerable caution, since a slight mistake in the rate of interest given or in the investment of the money may involve serious losses, when large sums are in question. For this reason it is only the larger societies with highly trained officials which open deposit accounts.

(3). Drawing accounts (*laufende Rechnung* or *Konto-Korrent ohne Kredit*). These are virtually, though not technically, "deposits." They may be worked with or without the cheque system, though obviously they are most useful with cheques, which are now coming into favour in Germany, and which have not to pay, as in England, where the system is so much more matured, a penny stamp per issue. The bank acts as payman for its customers up to the limit of their accounts, paying either the customers themselves or the creditors in whose favour the cheque is made out. Obviously a notice term would destroy the chief use

of the system. Therefore on the one hand the bank must keep sufficient ready money to meet all demands without delay, and on the other hand it can only afford its customers low interest. Such accounts may be held by members or non-members.

(4). Special loans (*Anlehen*) for special circumstances, such as the extension of premises. These can be raised from individuals, companies, or other credit societies.

(5). Public monies (*Öffentliche Gelder*), such as communal savings banks funds, which are desirable because not likely to be withdrawn suddenly, but which at the same time cannot be obtained, unless the bank has a reputation for perfect security. Unfortunately for credit societies in Germany, they do not count legally as trustee investment institutions, although they may be created so by special enactment in any particular State.

The funds obtained from all the above sources flow into the bank, and are utilised by the bank in whatever way it chooses. They are thereby distinguished from the other source of outside funds, the re-discounts with outside non-co-operative banks. Re-discounts are obtainable only on credit granted in the form of a bill of exchange. The procedure will be intelligible when the bill of exchange has itself been explained.

What is the nature of the credit furnished by the co-operative banks to their members? It is either (A) a loan, or (B) a discount of a trade bill of exchange.¹

A.—Loans. These may be granted in two different ways. First, in the form of a single definite advance of money. This is called the "*Vorschuss*" or advance. Secondly, in the form of a credit limit, within which the borrower may draw, as his needs arise—here the maximum credit possible is fixed by the society, the actual credit utilised is determined by the borrower. This is called the "*Konto-Korrent*" or, as we know it from Scotland, cash credit.

The advance may be drafted in one of two styles, *e.g.*, either "I owe the bank the sum of 20,000 marks, and

¹ *Cf.* Dr. Krüger, *op. cit.*, Cap VII.

promise to pay X months from now," *i.e.*, a "Schuldschein" (I.O.U., or bond); or "X months from now I will pay to the bank against the bill of exchange the sum of 20,000 marks," *i.e.*, a "Vorschuss-Wechsel" (literally advance bill of exchange). The same operation is effected on either plan. The borrower receives a sum of money from the bank and eventually pays back that money to the bank. But the advance bill of exchange is preferred by the banks for the following reasons: (1) The validity of the advance bill expires sooner than that of the bond, so that the bank cannot in its own interests allow payment to be overdue for more than a limited period; (2) in the event of the borrower's default, it permits more summary means of legal redress; (3) the bank can, if requisite, re-discount an advance bill, but not an ordinary bond. German banks,¹ however, will not re-discount an advance bill when drafted in the usual form above quoted (known as "eigene" or "trockene" Wechsel), but only when drafted so as to resemble a trade bill (gezogene Wechsel), without, of course, really being one. This is because under German law the latter form gives the outside bank a securer position.

The advance, however drafted, may be given against four different forms of security: (1) "Burgschaft" (the pledge of one or two friends); (2) "Hypothek" (land mortgage); (3) "Faustpfand" or "Lombard" (deposit of collateral, whether in the form of scrip or valuables); (4) "Blanco" (no security at all except in the good name of the borrower).

The security is the means by which the society protects itself against the possible default of the borrower: until the borrower defaults, the security plays no part. The first form of security, the personal pledge, is the keystone of the Schulze-Delitzsch system. The pledger is always an intimate friend of the borrower, often a brother or cousin. He is induced to go security, either out of personal affection or on the ground that one good turn deserves or will deserve another. Perhaps the borrower has done him a service in

¹ Cf. Krüger, *op. cit.*, p. 172.

the past : if not, he will probably be willing to assist him in the future. The bank must, of course, take precautions that two friends do not go security for each other at one and the same time, since in this case, what would present itself to the bank as four guarantees, contains in reality only two. The superiority of the personal pledge over any material form of security is that it lends itself to supervision of the borrower's conduct. If the pledger sees the borrower misusing his loan, he can lodge a quiet protest : the deposited collateral or the land mortgage cannot speak, they can only be forfeited.

Land mortgages and collateral are certain assets, while the personal pledge may be worthless, if the bank has misjudged the man's character. Advances against collateral, such as jewellery, entail practically no risk of ultimate loss. However, if it takes the form of scrip, there is always the danger that the shares may become worthless through the failure of the concern in which they are held or that they may deteriorate in the ordinary course of market fluctuations. The bank guards itself against the first contingency by accepting only shares in National securities, State or Municipal, and industrial paper of the highest class, which it can be certain of cashing instantly on the open market : against the second contingency by only advancing on these shares a sum up to three-quarters, say, of the present value, which thus allows a safe margin of one-quarter for a fall. The borrower prefers the advance of three-quarters from the bank on the shares to a direct use of them by conversion, because he continues to draw his interest and avoids disturbing his investments at moments, perhaps, when their realisation might cause him loss owing to unfavourable market conditions.

The land mortgage security is not much offered in institutions pre-eminently industrial, and ought to be offered even less than it is. Moreover, direct dealings in land or houses, which might tie up the funds for a considerable time, are discouraged in town banks, where much of the working capital is liable to be withdrawn at short notice.

A peculiar form of advance credit is known as "Fidelity

Guarantee" (Kautionskredit). A member of a bank may be engaged in contract business, where cautions are demanded from tenderers in amount such as he is unable to provide. There the bank can render useful assistance with no risk to itself. The member does not take the money from the bank and does not, of course, pay interest on it. He merely pays a preliminary fee, in return for which he is allowed to write down on his guarantee sheet a sum equal to the required caution.

The second way in which loans are granted is by cash credit (Konto-Korrent). The loan runs in the following style, *e.g.*: "At sight I will pay to the bank against this bill of exchange the sum of 20,000 marks." The borrower does not take the money in a lump sum from the bank, as in the ordinary advance. He uses the bank as a safe, generally conveying the money to and fro by cheque, paying in sums received in the course of his business, and paying out sums owing. But unlike the mere drawing account (Konto-Korrent ohne Kredit), he can overdraw his account up to the limit allowed him in the original agreement (in the above example 20,000 marks). If he took the whole sum away from the bank, as in an ordinary advance, he would have to pay interest on the whole. By the system of cash credit, he pays interest only on the sum standing to his debit from time to time: if he has a surplus instead of a debit, he receives instead of paying interest. The member with a current account has thus throughout his business life a permanent source of credit. As in the ordinary type of advance credit, personal or collateral security is as a rule required. Sometimes, however, cash credits are opened on no other security than that of the borrower's personal reputation (Blanco-Kredit). This can be done more safely in a current account than in a simple advance, since the bank can keep an accurate check on the member's position through the continual stream of receipts and payments occurring under his name. In all cases of cash credit the bank can adopt in self-defence the extreme measure of cutting off the credit at a week's notice. The Konto-Korrent is an imitation, conscious or unconscious, of the

system of cash credits in Scotch banks, with the difference that in Scotland the credit receivers need not be shareholders, *i.e.*, members of the bank.

B.—Discounts of the Trade Bill of Exchange. (Diskontierung von Geschäfts-Wechseln, also called "Tratte" or "Gezogene-Wechsel"). Such a bill reads as follows: "Three months from the present date do you, A, pay to the account of B the sum of X marks." This is signed by C and countersigned by A. C, the drawer of the bill, is a member of the credit bank: B, the remittent, is the credit bank itself: and A, the acceptor, is the debtor of C. In other words C has rendered to A goods or services for which the latter is allowed by law and commercial usage to defer payment for a space of three months. But C wants his money immediately; therefore he sells his claim to B, the credit bank, which takes over the debt after deducting a discount. The only stipulation of the bank is that it shall know the acceptor, A, to be financially sound. The trade bill thus differs essentially from the loan. The bank grants a loan to its member, in order that he may engage in a future transaction: the bank discounts a trade bill for its member, in order that he may obtain immediate payment for a transaction already accomplished. The loan will miscarry, if the member fails to make a profitable use of it: the bank therefore is concerned with the solvency of its member. The trade discount can only miscarry if the third party, with whom the member has done business, fails in the interval: the bank therefore is concerned with the solvency of the outside party. If the loan is not refunded, the bank falls back on the security. If the bill is not paid at maturity, the bank calls on the member from whom it has received it.

The importance of the distinction become obvious, when the question of re-discounting, *i.e.*, re-selling a bill to an outside bank, arises. The outside bank will take either kind of bill for re-discount, provided it contains two good signatures. But the co-operative bank still retains a direct interest in the re-discounted bill, if this bill is an advance bill. For an advance bill signifies a loan and, if, as usually happens, the borrowing members desire a renewal, the

co-operative bank must negotiate with the outside bank to consent to this renewal. The advance bill is therefore less suitable than the trade bill for re-discount.

But why does a bank re-discount at all? Because it has not itself sufficient funds in its coffers to hold until maturity all the bills presented to it. By re-discount it obtains indirectly an addition to its funds. What does a bank gain by buying with one hand and selling with the other? It can sell cheaper than it buys, because in selling it adds its own signature to that of the individual creditor: so that if the debtor defaults, the final buyer has two securities, the bank and the original creditor. It would seem at first sight that the credit bank has here an unlimited possibility of small gains without risk; for, if the bill is dishonoured, the bank can call upon the original creditor to make it good, and he in turn can sue the defaulter. But there is a serious danger owing to the course of procedure in case of default. The dishonoured bill returns to the original owner by the same road along which it left him, creditor, credit bank, outside bank—outside bank, credit bank, creditor. Therefore the credit bank, though perhaps ultimately secured by the creditor, cannot demand respite in which to recover from him. If the credit bank cannot at once satisfy the outside bank, it is dishonoured and must enter on liquidation.

Credit, similar to that of the trade bill, is occasionally given in what is called "*Beleihung und Einzug von Forderungen.*" This is a kind of informal trade bill. The receiver of goods in Germany, if he uses them for immediate consumption and not for further production, is not accustomed as in France to sign a bill of exchange. The small producer, therefore, who cannot afford to wait for his money without himself running into debt, applies to his credit bank for an advance on the security of the unpaid bill. He cannot sell his claims, as he could on an ordinary trade bill, unless he notifies the change to the debtor; and this he is loth to do for fear of irritating a customer who does not like the introduction of third parties into his little debts. Sometimes, however, the creditor proceeds more simply, and merely uses the bank as an agent for collecting his debts,

trusting to overawe the recalcitrant party by bringing up the "big brother." But the bank, finding itself chiefly commissioned to collect doubtful debts, has no affection for the business. Altogether the credit granted under this head is insignificant.

Lastly, akin in form to the trade bill, is the banker's acceptance, accommodation credit (*Akzept-Kredit*). This is a trade bill without any trade. The bank "accepts" an imaginary debt, declares itself liable to pay so much to the holder of the bill at the end of three months. The drawer of the bill, the member of the credit bank, does not, of course, discount the bill at his own bank, as he would an ordinary trade bill, but takes it to another banker, who discounts it on the guarantee of the credit bank's signature. This is an easy method of granting credit, but it is very perilous. The bank creates a burden of liability which is not felt at the time and which must descend on it sooner or later. Although safe enough for a large joint-stock bank, which draws deposits perhaps from a whole country, it is too dangerous for a small credit bank of limited area. The employment of the acceptance by credit banks is very rare: and, where employed, it is generally unjustifiable.

Such is the work of the banking unit, the "*Vorschuss und Kredit Verein*," after the *Schulze-Delitzsch* model. It is obvious that technical operations of this description could not well be undertaken by amateurs. They are directed by a college of three members (*Vorstand*), sufficiently salaried to enable them to devote their whole time to the business. The members of the college divide up their work: one attends to the money department (*Kassierer*): a second to the accountancy department (*Contrôleur*): a third is general chairman (*Vorsitzender*)—his business, it has been said, is to worry the other two. Two signatures are necessary to every transaction so as to afford a mutual check. Their responsibility is joint and undivided. These three, constantly present at the society's office, which is sometimes in appearance a building as richly equipped as any joint-stock bank, conduct the business of the society. It is they who judge of a member's credit-worthiness and regulate the

employment of the funds. The general assembly elects them for three years and sets limits within which they must act. If they overstep this, they may be discharged; but their actions hold good as against third parties. The council of control (Aufsichtsrat) inspects their work from time to time, but it does not engage actively in the business. If a member of the Vorstand himself requires credit from the society, he must obtain the special sanction of the Aufsichtsrat: if a member of the Aufsichtsrat requires credit, he must obtain usually the sanction of an extra committee, established so recently as 1904, called the "Einschätzungs-Kommission" (Valuation Committee). So determined was Schulze-Delitzsch that his societies should have no suspicion of charity about them that he not only paid salaries to all who worked for the society, but also offered the Vorstand a "Tantième" or bonus calculated on the amount of the turnover. This might be welcomed by ignorant enthusiasts as something really co-operative, as a meritorious case of profit sharing. In reality it is a wrong policy. In ordinary business the profit shewn by an audited balance sheet is a fairly safe index of prosperity. In banking an immediate profit can always be realised by unsafe advances of credit, the unsafeness of which cannot be detected by others than the directors themselves. The Vorstand is therefore constantly tempted to delight its society and enrich its own pockets by shewing up a high rate of profits. Next year the crash may come, but by that time the Vorstand may have disappeared along with its *tantième*. I came across an interesting example of this in the Rhine Provinces. A bank recently established appointed a Vorstand of three ambitious young men, who were desirous of rivalling a long-established country bank in their district. They accomplished this in a single year, but a large portion of their business was made up of reckless advances to a corn merchant on no other security than the latter's property. The merchant failed: his property was found to be nearly worthless: the bank lost the major part of its loan and liquidated: the Vorstand decamped.

It remains now to consider the results, material and immaterial, of the Popular banks in Germany.

In 1859 there were 80 banks with 18,676 members: in 1905 there were 1,020 banks with 586,595 members. In practically every town of any importance there is a Popular bank. 60 per cent. of the members avail themselves of credit. The remaining 40 per cent. are either habitual abstainers who regard the shares as a lucrative investment, or else temporary abstainers who have not required credit in this particular year. Among the latter are probably included a number of agriculturists, whose borrowings are not as constant as those of the ordinary trader.

¹ The amount of credit granted in 1905 was in round numbers 3,000,000,000 marks. This credit reaches the members by the different credit channels above described, in the following proportions:—*A.—Loan*, (1) definite advance against bonds, 2 parts; against an advance bill, 7 parts; (2) cash credit, $12\frac{1}{2}$ parts. *B.—Trade discount*, $8\frac{1}{2}$ parts. The definite advance against land mortgage, which in the statistics is classed apart, amounts only to $\frac{1}{27}$ th of all definite advances; unlike other branches of business, it is decreasing from year to year. In the course of the last 20 years, while the business done through the definite advance has increased by not quite one-half, that done through the trade discount and cash credit has trebled. Some current literature treats the simple advance as though it were still the predominating part of the credit bank's business, unmindful of the rapid approach of newer banking methods. In the definite advance, the securities are made up in the following proportions:—blank credit 3 per cent.; credit against personal pledge 77 per cent.; credit against deposit of collateral 20 per cent. The proportion of the different securities for cash credits is not given. Here blank credit would no doubt play a larger part, since cash credit in a way keeps a watch on itself; but the personal pledge is most usual. If the pledger objects to signing a cash credit in the form of an undated bill of exchange, he is

¹ Jahrbuch, des All. Verb. (edited by Dr. Krüger), 1905, p. LII.

generally permitted to sign a separate agreement, making him answerable for the credit limit (say 20,000 marks) in the less formidable terms of an ordinary bond.

In the simple advance the personal pledge remains, as Schulze-Delitzsch would have desired, the most usual form. It is here that the member uses a hitherto idle asset, the personal confidence which he can command among his friends. It may happen, however, that his character is good, but that there is no friend sufficiently intimate with himself or his business. In this case a material security and, within strict limits, no security at all beyond himself may be substituted with approval.

Four points now require an answer :—

- I. What is the average amount of credit granted per member ?
- II. What is the average term of the credit ?
- III. What is the average cost of the credit (and incidentally how is it repaid) ?
- IV. What is the average profit realised by the society as the result of these credit operations ?

I. ¹ The amount of credit granted per member in 1905 was just over 5,000 marks. This average has steadily increased in the course of the previous ten years from 3,000 marks in 1895. The figure, however, is liable to mislead. It means that the credit transactions standing to each member's account amounted to 5,000 marks, not that he actually took this sum out of the bank, still less that the average loan was of this size. If a loan of 1,000 marks is renewed four times in the year, it stands in the member's account as a credit of 4,000 marks. If a current account with a credit of 20,000 marks is closed and re-opened every six months, it stands as a credit of 40,000 marks. As a matter of fact the actual loan in the form of a simple advance averaged under 1,000 marks. This method of presenting credit transactions is, of course, a convenience in book-keeping, not a deliberate attempt, as an Irishman once suggested to me, to produce a fraudulent impression on outside observers.

¹ Jahrbuch, cit., p. LI.

II. The term for loan and trade bills is short—three months. Trade bills, of course, are not renewed. Cash credits are usually granted for five years, sometimes however for shorter periods. If the member with a cash credit does not mobilise his credit, *i.e.*, if he draws up to the limit and pays in no receipts, the bank calls in the account, thus indirectly forcing him to short term uses of credit. The simple advance is never for more than three months : it is, however, renewed three or even four times if necessary. It was a fundamental point with Schulze-Delitzsch that the terms for loans should be no longer than that which the bank enjoys for its own borrowings : and the majority of deposits (using the word in its extended sense) are usually held under a two or three months' notice term. The principle is erroneous. All banks trading chiefly in money at call lock up much of their funds in long term business : savings banks even place about half their funds on mortgage. The amount of ready money really needed by the bank is not the maximum which might be required, but a little over the average which experience shows is required.

“ For banks of purely personal credit this term is usually sufficient *except*—a great exception—for agriculturists ; the three months' term prevents undue locking up of capital and enables the bank to refuse further credit if necessary : if desirable it can grant prolongations ; but for agriculture a longer term is absolutely necessary ; it is seldom that a three months' loan is of use to a cultivator, and the necessity for renewal with attendant expenses would largely negative the value of the bank. Schulze-Delitzsch's own rule was that the term should correspond with that of the reproduction of the 'capital lent,' and this, for agriculture, can seldom be below six months even for single crops counted from sowing to sale. For the purchase of cattle or implements or of slow acting manures, such as bone, a much longer term is necessary. It would be better to recognise, as societies are now beginning to perceive, that for many needs, especially agricultural, long term loans up to, say, two years are necessary ; much expense to parties and much complication in the accounts would be saved by a frank

recognition of this fact, let alone that there would probably be an immense increase of business from the agricultural population."¹ This was written in 1895, but the objection still remains.

III. ² The rate of interest charged on loans, as also the rate paid for deposits, is steadily declining. In 1879 an average of 6.33 per cent. was charged and 4.70 per cent. paid, which has diminished almost uninterruptedly up to 1905, when an average of 5.05 per cent. was charged and 3.48 per cent. paid. The difference between the rate charged and the rate paid is in each case about $1\frac{1}{2}$ per cent., which shews that the reduction of interest is not obtained at the expense of profits, but through the general cheapening of money. Loans (with the exception of cash credits, which are reduced or extended within the limit allowed according to the flow of the borrower's business) must be repaid in a lump sum and not in instalments. This rule is especially suited to industrial transactions where loans, granted in lump, are usually reproduced in lump.

The difference between interest paid and interest charged, after deduction for the reserve funds, working expenses (averaging .33 of the credit transactions), and educational expenses (quite fractional in 1905, 90,000 marks in all), provides the shareholders' dividends. The average rate of dividend in the banks as a whole is 6.09 per cent. The range is from 0 per cent. to 20 per cent., but three-quarters of the total fall between 5 per cent. and 7 per cent. Much has been made out of the occasionally high dividends. If a dozen banks from among 800 declare a dividend of 10 per cent., credit banks are condemned as capitalistic institutions. Exceptionally high dividends are no doubt due sometimes to loan charges disproportionately high as compared with other banks, but they are as often due to the bank accepting the rate current in the districts for good private banks and then realising exceptional economies in its own organisation.

¹ F. A. Nicholson. Government Report regarding the possibility of introducing Land and Agricultural Banks into the Madras Presidency, Vol. I., p. 140.

² Jahrbuch, cit., p. 59.

Schulze-Delitzsch was probably right in insisting on the importance of a self-owned well-remunerated capital for an industrial bank, especially in view of its value as a stimulus to thrift; and the resultant danger of "capitalism" is less than has been imagined. In all banks the borrowers must be shareholders; in nearly all banks, *i.e.*, in banks with unlimited liability, none can hold more than one share, and this share can always be paid in instalments. It is, therefore, impossible,¹ as in a limited joint-stock company, for a few shareholders to monopolise most of the dividend with a minimum of risk. The shareholder may sometimes be a non-borrowing dividend-hunter, but he at any rate undertakes a duty of unlimited liability. In so far as the high dividends represent management superior to that of other banks, critics can have no objection to this superiority. The question is merely, to what use shall the result of this superiority be put.

Now it cannot be claimed that the societies as a whole sacrifice their reserve fund to their dividends. The reserve funds show a constantly increasing proportion, both to owned capital and to total capital, owned and borrowed, standing in 1895 at 5.9 per cent. and 23.6 per cent., in 1905 at 6.1 per cent. and 28 per cent. Contributions to the reserve fund can be overdone, for the reserve fund is a locked-up capital which can only be used to cover losses. But ought not the gross profit to be divided by lower loan rates? This is not certain. Cheap credit may be inconvenient and even pernicious. Loans at a rate so low as merely to cover working expenses have the well-known inconvenience of cost price sales. A slight miscalculation would throw back the society on its reserve funds, and thus disturb its financial stability. Moreover, credit may be too cheaply given. If the borrower receives money from his bank at a lower rate of interest than that which it would earn for similar risks elsewhere, he is receiving a

¹ Mr. H. W. Wolff, *Co-operative Banking*, p. 50, suggests that unlimited is more likely than limited liability to encourage high dividends. He does not, however, elaborate the point, and I cannot see that there is any valid connection.

kind of charity. The most satisfactory escape from the dilemma between dividend-hunting and charity-borrowing seems that devised by some of the Popular town banks in Belgium, *i.e.*, a fixed dividend of 5 per cent. on capital and the remaining surplus to borrowers in proportion to the amount of their borrowings. This is, in principle, identical with the practice of the co-operative store in all lands.

Finally, what has the Schulze-Delitzsch credit bank done that other banks either cannot or will not do?

First, it has trained up the people to be their own bankers. It has organised a democratic society in which the individually weak may grow into the united strong, learning in their growth the lesson of self-discipline and prudence.

Secondly, it has brought together the people in a business in which popular organisation is most effective. It is not every conjunction of activities that is economically effective. For example, it would be possible for shopkeepers to unite for the production of glass in their shop windows; yet, being shopkeepers, they would be very inferior glassmakers. But shopkeepers and small industrialists in general can become very effective bankers, because they can supply at extremely small cost to themselves the requirements of good banking—proximity, control and a sufficiency of funds. For compare the co-operative bank with any other source of credit.

The private money-lender is indeed near the borrower and willing to satisfy his smallest wants. But his resources are limited; and he cannot so control the borrower that the latter by effective use of the loan is secure for repayment. He has therefore to recoup himself for heavy risks by heavy charges. Dealing with unorganised individuals, he is not concerned with lessening risk, but with heaping up compensation. The most charitable of money-lenders could not, even if he would, be an economically effective banker. As a matter of fact he invariably yields to the temptation of plundering the weak. The remedy against a money-lender is not drastic legal penalties, but a superior organisation which renders him unnecessary.

A non-co-operative bank may be State-owned or private.

If it is a State bank, and created especially to help the small man, it will desire to use its large funds in his benefit; but it cannot easily command his trust. The respectable poor man is rightfully shy of the distant institution, which neither knows nor is known by him. The private bank may decentralise itself; it is to that extent organised credit in the borrower's proximity. However, if it is a small independent bank, it is always liable to lack the necessary working capital; if it is a large bank, then, though it works with branches, the real management is apt to be conducted from a distance. It is only under exceptional circumstances, as in Scotland, that the private bank can overcome these difficulties.

But the Popular bank has nearly all the virtues and none of the weaknesses of the money-lender or the private bank. Not only does it know its customers, but its customers know it; and where there is mutual knowledge, there can be mutual trust. It is sometimes said in a tone of reproach that a joint-stock bank will not cater for the small man. The truth is rather that it cannot, profitably to itself and to him. The security which the small man has to offer is a personal guarantee that he is honourable and likely to make proper use of his loan. But personal security is of no value until the lender can satisfy himself of its genuineness. If an outside body has to do this, it incurs much expense in supervision; and the supervision is likely to offend by an appearance of spying. But the members of a credit society by forming themselves into a society create the most effective machinery of supervision possible. It is in the essence of society membership not only to exercise but to accept supervision, and the supervision does not irritate. The small man welcomes inspection from his fellow members, because he feels that he is commanding rather than begging for money. And with this triumphant superiority of mutual organisation he effects absolute economies not of one or two, but of forty, fifty, even a hundred per cent. Scotch banking has proved how the private bank can take honesty into alliance and treat it well. Schulze-Delitzsch and his imitators in other lands have proved how in a People's bank the

borrowers can be not only honourable assistants, but equal partners, building up with their own strength a system even more effective than the Scotch bank for the profitable satisfaction of their needs. Moreover, the Popular bank has combined saving with credit. It has established a through communication between savings and the use of savings. Savings locked up in a State savings bank are of necessity utilised centrally, so that a small town with many State savings accounts may have no credit in its midst. Savings invested in a Popular bank return to assist the savers in the form and the amount in which they need them.

Popular banks are always confined to a limited area, of which the size must be such that mutual supervision is possible. Critics have argued that some banks operate over so wide a district that they cannot possibly watch what is being done with the credit. But minute control, which may be necessary and convenient in agriculture, is unnecessary and intolerable in industry. In the first place, once granted the discovery of a member's soundness, the channel through which credit is granted is itself, in the case of the current account and the trade bill, an automatic register of its productive use—presumably productive, that is to say, for no supervision of any kind can ensure that a product is profitably sold. In the second place, the movements of industry are apt to be quick and difficult of observation. It is impossible to inspect the effects of the new capital put into an industrial business, as one might inspect by daily visit the obvious and steady progress on a farm.

We have shown that the Popular banks are peculiarly suited to assist the small industrialists, and that they are from a business point of view eminently successful. But it is not so easy to discover how far the banks remain true to the ideals of their founder, in making the small man the main object of their activity. There seems on this point to be a certain amount of dissatisfaction, which is expressed not only by students and possibly hostile outsiders, but also by the organisers of the movement themselves. The banks, it is complained, are losing their hold on the small worker :

small accounts are being refused : the management is getting into the hands of big men.

The considerations advanced in the introductory chapter concerning the nature of industry suggest the possible explanation of this tendency. It is not that big men are capturing and driving out the old members, but that a growing percentage of the original small members is becoming big. Schulze-Delitzsch secured the position of the small industrialist under the new conditions of modern industry by supplying his chief want, namely ready capital. But he could not secure that he should remain small if opportunities for expansion offered themselves. It is much harder for a town bank to be true to its original ideal than for a country bank. The small farmer will quite likely remain a small farmer, even though or rather because he is successful. But the successful member of a town bank is more likely than not to become a comparatively big man. In this case he must either resign, with apparent ingratitude to the institution which has helped to make him : or if he remains, he is called upon to refrain from edging out his smaller brethren, in pursuance of an ideal which no longer affects him directly, and which results in a preference for credit transactions which he knows to be less profitable for the bank from a commercial point of view than his own. It must be admitted that the Schulze-Delitzsch banks do very fairly balance these opposing interests.

The percentages based on the classification according to occupation do not take one much below the surface ; (1) because they are percentages and not absolute quantities ; (2) because, even if they were the latter, one would not know what was the relative content of each class and their influence on the banks' policy. It is clear, however, from the following table, that the banks still draw their members from a wide circle of the population, so as to bring into contact, as Schulze-Delitzsch intended, money-finders and money-users ; and further, that the percentage of hand workers to other classes is gradually declining.

42 CO-OPERATION AT HOME AND ABROAD.

CLASSIFICATION OF MEMBERS BY OCCUPATION (in % reading downwards).

	1890	1895	1900	1906
(1) selbständige Landwirte (independent agriculturists)	29'3	32'0	28'2	27'2
(2) Handwerker (hand workers) - -	27'9	25'4	25'5	24'06
(3) Kaufleute und Händler (shopkeepers and traders) -	8'7	8'7	9'7	9'95
(4) abhängige Arbeiter (Klassen II., V., IX., X.) (wage-earners) - - -	11'6	11'4	12'0	13'47
(5) Aerzte, Apotheker u.s.w. (doctors, chemists, etc.) -	6'3	6'2	6'7	7'32
(6) Rentiers u.s.w. (retired persons, etc.) -	7'6	7'6	7'8	8'21
Etc.				

II. RAIFFEISEN MODEL.

The Raiffeisen bank is the Schulze-Delitzsch bank applied to the country, with the variations required and justified by the difference of environment.

The model rules of the Raiffeisen societies state that : "the object of the society is to improve the situation of its members both materially and morally, to take the necessary steps for the same, to obtain through the common guarantee the necessary capital for granting loans to members for the development of their business and their household, and to bring idle capital into productive use, for which purpose a savings bank will be attached to the society." One word in the above, viz., "morally," intimates at the outset a distinctive trait. Raiffeisen always kept the moral aspect very prominently before him. He was himself an earnest Christian, and he insisted that all the members of his institutions should profess the Christian virtues. In his propaganda he used to the full the one intelligent power in rural districts, the parish priest or pastor. With their help he developed a new parochial life around the village bank. With their help he touched in the peasant the chord of neighbourly affection and stirred him to give it practical effect.

¹What is the structure of a Raiffeisen bank? and, first of all, whence comes the working capital?

¹ Cf. *Kleine Anleitung zur Geschäftsführung der Raiffeisen-Vereine*, 1906, published by the General Verband, Neuwied, for the use of its organisers.

The subscribed capital of the bank is practically nil; there is nothing but the universal unlimited liability of the associating members. Schulze-Delitzsch, dealing with industrialists subject to unseen risks, who operated in trade matters out of sight and control of the society, obliged his associates to subscribe a considerable share capital, not only as a proof of thrift, but as a material guarantee for their individual and corporate debts. Raiffeisen, dealing with agriculturists and villagers, demanded no such security, since each member possessed in his little farm, his cattle or implements, material guarantee far beyond those of any subscribed share. In addition he avoided the danger to which a share bank is always exposed, namely that the concern may be run for the benefit of a few non-borrowing shareholders, rather than for that of the general credit-needing members.

Unfortunately this natural difference was elevated, or rather dragged down, into an issue of principle; and the law of 1889, drawn up under the guidance of the Schulze-Delitzsch party, insisted that every co-operative society should have shares. The Raiffeisen societies comply with this by nominal shares of (say) 10 marks¹ on which no dividend is declared; though, occasionally, some of the annual profit is indirectly returned to individuals in the shape of a slight addition to deposit rates and a slight deduction from loan charges, calculated at the end of the year.

Because Raiffeisen wished to create credit among small agriculturists out of the immaterial asset of mutual knowledge, he limited the size of each society to a single village. For his purpose he was right, but his partisans are not right when they look askance at the larger areas of the town bank, where the nature of the members' business and the society's control is different.

All profits remain the collective property of the society, to be used for the society's good. They are divided into two classes of reserve fund—(1) reserve fund proper; (2) foundation fund (*Stiftungsfond*). The former is regulated

¹ Occasionally even as low as 1d. or less.

in the same way as in town banks. The second corresponds to the shareholders' dividend. It is undesirable to have nothing beyond an ordinary reserve fund, because money thus placed can only be withdrawn to cover losses : while if placed in the foundation fund it can be used for positive improvements, such as the extension of premises or the establishment of a burial fund. In actual figures, the reserve funds are not so strong as in the town bank, owing in part to the lower loan charges.

The loan capital, as in the town banks, is made up of small savings and deposits. It is drawn, either from within the area covered by the bank, in which case it comes both from members and non-members, the former being where possible rewarded at slightly higher rates in order to encourage membership : or from without the area, in which case it of necessity comes from non-members. Savings are received in sums from one mark upwards : the smaller amounts being collected by penny stamp books, similar to those used in the Post Office Savings Banks of England. The willingness with which the peasants bring their savings to the bank is a triumphant proof of Raiffeisen's contention that the small agriculturists by a combination of unlimited liability and close supervision can become absolutely credit-worthy. No savings since the foundation of the first village bank have ever been lost through bankruptcy.

In addition the bank obtains credit from a central bank (to be hereafter described),¹ with which it has a current account.

The funds thus raised are utilised for three kinds of credit—(1) Simple loans ; (2) current accounts ; (3) property transfers (Zessionen).

Current accounts are rare except in villages where there is a little industry. With regard to the simple loan, the security, as in town banks, is personal pledge, land mortgage, or (very rarely) deposit of collateral. The personal pledge, as with Schulze-Delitzsch, is the most frequent. But Raiffeisen interpreted it more strictly than Schulze-

¹ pp. 55-6.

Delitzsch. Not only must the credit-seeker produce an outside testimony to his character: he must also convince his society that he really merits this testimony. The member of the Schulze-Delitzsch bank is accepted on the strength of his general business reputation, added to his security, personal or material. The member of the Raiffeisen bank, though he have the best of pledges, is rejected unless he is known in his private life to be virtuous and industrious. The man of doubtful sobriety has no chance of obtaining anything from a country bank. The pledge is not itself the fundamental point, but a subsidiary proof of the fundamental point, which is the personal stability of the borrower. It is also an additional safeguard in the interests of depositors against an occasional error of judgment on the part of the society, or against the eventuality of the borrower dying before repayment of the loan, in which case the society requires a definite individual who will discharge in its interest the dead man's outstanding liabilities.

If it happen that an applicant is little known or new in the district, so that no one will go pledge for him, then the society, provided it is convinced of his good character, will grant a loan against land mortgage. This is not to be confused with the real credit granted by a land bank, where the value of the estate alone is considered. It is personal credit with a material caution, and it is not a long-term loan. In accepting securities of land mortgage the bank has always to take care that it holds a first mortgage: otherwise in case of failure prior claimants may exhaust the whole of the borrower's assets.

Furthermore the society requires to know not only the character of the borrower, but also the specific object for which his loan is destined. It must be satisfied not only that the borrower wishes to employ the loan in his business, but also that the operation proposed is likely to turn out successful.

Property transfers (*Zessionen*) are not strictly credit business. They are in the nature of investments for superfluous money, just as a town bank might invest in railway shares, with the difference that the investment is local and

designed to meet indirectly the credit wants of members. The nature of the operation is as follows. A dies leaving his estate to his heirs; and these, perhaps because they wish to leave the neighbourhood or because they want ready money for other reasons, put up the estate for sale in allotments. Or perhaps A during his lifetime wishes to get rid of a part of his estate. X, Y, Z, neighbouring peasants, are buyers, but they can only pay gradually—which they are allowed to do by law. The credit bank steps in as intermediary. It pays to the heirs of A or to A himself, as the case may be, the price of the estate minus a small commission (*Nachlass*). X, Y, Z, become the debtors of the credit society, paying off their debt by regular instalments, which include principal and interest. The bank cuts out small traffickers in land, usually Jews, to the benefit of sellers and buyers. It benefits the sellers by charging them a moderate instead of an extravagant commission: the buyers by saving them from permanent relationship with land dealers who seek their ruin. The bank insists on regular payment of the instalments, because it wants its money back, while the dealer is constantly tempting the buyers to fall into arrears in order that he may eventually acquire the land himself.

To safeguard its funds, the bank requires security from two sides. On the one hand, the seller may have to provide a personal pledge. This is only necessary if there is a prior mortgage on the estate likely to exceed the sum obtained from the sale; since the holders of the mortgage, failing to satisfy their claims from the sum handed over to the seller, are allowed by law to descend on the bank or the buyers for further satisfaction. On the other hand, it invariably holds a first mortgage from the buyers on the estate transferred to them. Sometimes the new buyers have to add a personal pledge, who may be required to be the original seller. In this way the bank secures itself against non-payment of the instalments.

There is a second form of property transfer, where the bank not only acts as intermediary but itself holds the estate for a time. Some land dealer, having obtained a

mortgage on the estate of A, demands payment. A cannot pay and is forced to sell his estate by public auction. The dealer forces the sale, just when the estate market is likely to be most unfavourable, hoping to buy the estate for himself at an absurdly low rate. Thereupon the bank steps in; it bids against the dealer, and if he does not offer a good price, buys the estate itself and re-sells it later in the year, when the market is more favourable. In this way A can pay off his debts at once. Moreover the bank does not keep the difference between the price of purchase and final re-sale. After the deduction of a moderate commission, it is handed over to A, who thus obtains a further sum with which he can make a fresh start.

These dealings in property transfers are confined to South-West Germany, where estates are sold to be split up into little lots. The banks only enter on these transactions where the following conditions are satisfied—(a) where they have a superfluity of money over and above that needed in their ordinary loan business; (b) where some party to the transaction is a member of the society: either the seller or the buyers or the creditors of the seller holding second and third mortgages, who would obtain nothing were the estate sold below its real value.

What is the nature of the machinery by which this work is conducted? A Raiffeisen bank is never what a Schulze-Delitzsch bank sometimes is; a handsome building with barred windows, within which are a number of clerks discharging a constant round of business, while the directors interview special clients in a room apart. It is a small single room, probably at the back of a farm building, opened twice a week and presided over by a single occupant—the accountant (Rechner). Business is apt to proceed desultorily; a small child brings in a few savings; an hour afterwards a palsied old man, signing by a cross, draws out a couple of pounds, and so on to the end of the day. But this is the unimportant part of the business. The really important part is the weekly meeting of the directors, half a dozen in number, who meet to discuss the various credit claims which have arisen. They are unpaid, as by the

nature of their work they can afford to be. The accountant, their executive clerk who keeps the books, "the soul of the society," as Raiffeisen called him, is the only salaried official. The committee of supervision and the general assembly function as in the town banks; except that their control is more decided, probably because their knowledge is more on a level with that of the directorate, which is itself unspecialised.

What are the results achieved by the rural bank, thus operating and thus controlled?

In 1905¹ the number of banks amounted to 13,181, being an increase of nearly 800 per cent. on the 1,729 banks existing in 1890. The statistics which follow apply only to the 10,786 banks which are included in the central organisation of the Imperial Union, the remainder being small loosely organised institutions without proper figures. While 1,020 town banks, with 586,595 members and an average membership of 575, grant credit up to (in round figures) 3,000,000,000 marks; 10,786 country banks, with 954,473 members and an average membership of 88, grant credit up to 500,000,000 marks. Thus more than ten times the number of country banks only grant one-sixth of the credit afforded by the town banks. The total membership of the country banks is nearly twice as large, but the average membership per bank is nearly seven times as small.

The average credit advanced per member is 500 marks. The average size of the definite loan is slightly below this. The average rate of interest is not exactly known; it appears to be between 4 and 5 per cent., *i.e.*, nearly 1 per cent. cheaper than in the town bank. The duration of loans varies between one and ten years in accordance with the requirements of agriculture. They are repayable in small instalments, covering principal and interest, although the member may repay in lump if he wishes. The loan can always be called on four weeks' notice, but the right is never exercised, unless the borrower is allowing his property to deteriorate or is becoming insolvent through extravagance

¹ Cf. Jahrbuch des Reichs.-Verb. (edited by Dr. Haas), 1905, pp. 13 sqq.

or has misapplied money lent for a particular purpose. The inculcation of punctuality in payment, as a moral duty, was the hardest of Raiffeisen's tasks, as it was his greatest triumph. ↗

If it be asked finally what Raiffeisen banks have done, which other banks have not, it may be replied that Raiffeisen created out of hopeless chaos the only kind of credit organisation possible for the small agriculturist. Industry necessarily brings business men together to some extent. Agriculture in itself holds the farmer apart, and preserves him in lonely ignorance to be the victim of the perambulating money-lender. To-day more than 50 per cent. of the independent agriculturists of Germany are members of rural banks; and another 10 per cent., chiefly the larger farmers, are members of town banks. The non-co-operative agriculturist is becoming the exception. The Raiffeisen banks are thickest in the South-West of Germany, the home of the small peasant proprietors. Indeed the change wrought in many of these villages is nothing short of a revolution. The experience of the parent village bank may serve in illustration:—

“About an hour's walk from Neuwied on the Rhine is situated on a plateau bordering the Westerwald the little village of Anhausen. The district is not very fertile and the inhabitants are mostly small peasant proprietors, some with only sufficient land to graze a single ox or cow. An owner of ten acres is a rich man. Before the year 1862 the village presented a sorry aspect; rickety buildings, untidy yards, in rainy weather running with filth, never a sight of a decently piled manure heap; the inhabitants themselves ragged and immoral; drunkenness and quarrelling universal. Houses and oxen belonged with few exceptions to Jewish dealers. Agricultural implements were scanty and dilapidated; and badly-worked fields brought in poor returns. The villagers had lost confidence and hope, they were the serfs of dealers and usurers. To-day Anhausen is a clean and friendly-looking village, the buildings well kept, the farmyards clean even on work days; there are orderly manure heaps on every farm. The inhabitants are

well if simply clothed, and their manners are reputable. They own the cattle in their stalls. They are out of debt to dealers and usurers. Modern implements are used by nearly every farmer, the value of the farms has risen and the fields, carefully and thoroughly cultivated, yield large crops."¹ And this change, which is something more than statistics can express, is the work of a simple Raiffeisen bank.

¹ Quoted in and translated from A. Wuttig "F. W. Raiffeisen," p. 71.

CHAPTER III.

HIGHER ORGANISATION IN GERMANY.

Schulze-Delitzsch Banks—Internal Federation and External Alliance for Non-Business Purposes—Raiffeisen Banks—Internal Federation and External Alliance for Non-Business and Business Purposes—Raiffeisen v. Haas—Central-Darlehens-Kasse of Neuwied v. (1) Provinzial-Kassen, (2) Hauptgenossenschaften (Organised from Darmstadt)—Preussische-Central-Genossenschafts-Kasse—Its Relation to Town Banks and Industrial Producers—Its Relation to Country Banks and Agricultural Producers—Significance and Method of its Work—Reichs-Genossenschafts-Bank, Similarity and Difference.

BOTH town and country banks are formed into higher unions for general organisation and educational propaganda; the country banks also unite for credit business.

The higher union both in town and country is also itself the organising centre for associations not primarily concerned with credit. But in the town the general union is nothing more than a rallying point and intelligence office for groups industrially unconnected; in the country the general union is an integrated whole, co-ordinating inseparable parts. The structure of town banking can be studied alone, the structure of country banking involves the whole organisation of agriculture.

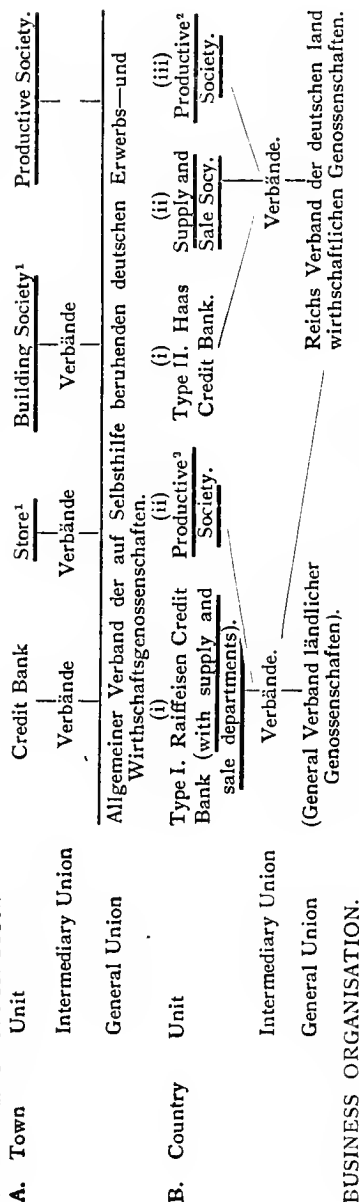
These two great differences will now be elucidated on the lines of the accompanying table. (See page 52.)

The town banks have no business federation among themselves, and no business alliance or amalgamation with other industrial associations. Each town bank is industrially an independent unit. For the discussion of provincial topics and the formation of provincial policy, the banks of each province constitute a Verband¹. For the discussion of national questions and the formation of national policy, the different Verbände form the Allgemeiner-Verband², which meets in Congress once a year. The Verbände have an executive which conducts the legal revision of their constituent societies: the Allgemeiner-Verband

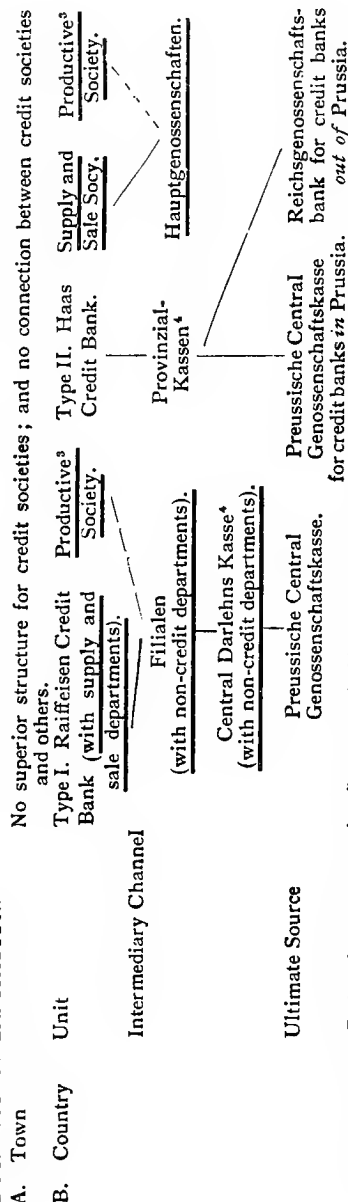
¹ (Provincial) Union.

² General Union.

GENERAL ORGANISATION.



BUSINESS ORGANISATION.



Explanation : — not primarily concerned with credit.

¹ Some of these have Verbände of their own, others join with the banks.

² A few of these have their special Verbände, confined to the particular kind of production.

³ Some of these use this channel, others dispose of their produce independently or through a special channel of their own.

⁴ When a non-credit society has need, *quæ* society, of credit or banking facilities, it uses these channels also.

has an executive which gives advice on legal points and publishes a journal. The other constituents of the Allgemeiner-Verband are junior partners. The stores and building societies have their own Verbände and enjoy the services of the Allgemeiner-Verband. A few scattered productive societies are affiliated to the Allgemeiner-Verband, but they have no effective organisation among themselves. In the Congress week each branch has its own day for the discussion of its problems: and the members who attend one branch of co-operation usually absent themselves from the others. The members of a store or building society do not coincide with those of a credit society for the simple reason that the former are chiefly wage-earners or salaried men, not engaged in independent trade. The members of a productive society might perhaps coincide with those of a credit society, but productive associations are few and spoken of with contempt in the Congress debates: the majority of independent producers who are in credit banks are not members of productive associations. There is therefore neither business federation among the credit societies themselves nor parallel business organisation between them and other societies. The credit societies, as it were, bring up subsidiary allies to swell the ranks of co-operation. If all these allies disappeared immediately, it would not alter their own organisation one iota. In 1902 the strongest of the store societies left the Allgemeiner-Verband to form a Zentral-Verband of their own at Hamburg. The only damage done to the credit societies was indirect—the individual members of the store societies, who had before kept their savings with the banks, now invest them as share or loan capital in their own stores.

In the country, however, credit and non-credit organisation go hand in hand. The disappearance of one element would severely wound the other: each would feel it as the loss of a limb. But the method of this alliance follows two different types.

The Raiffeisen bank, *qua* credit bank, is in principle and practice the same over all Germany, as it is also in Germany generally the basis of all agricultural organisation. But

Germany is a very large country; and isolated bands of credit societies grew up, recognising Raiffeisen credit principles, but not owing personal allegiance to Raiffeisen. Of these the most important was the Hesse Union, led by Dr. Haas, which under the title finally of the *Reichs-Verband-landwirtschaftlicher-Genossenschaften* rivalled and overshadowed Raiffeisen's own organisation known as the *General-Verband-ländlicher-Genossenschaften*. The cause which kept the two groups apart was partly personal. Raiffeisen was a kind of Christian patriarch, and his opponents thought he laid too much stress on religion and on the importance of the central seat at Neuwied. Both organisations gathered members from Germany as a whole and therefore began to overlap. Already it was no uncommon thing for a small isolated society (*Bauer-Verein*) to be planted in the same village as a society belonging to one of the two central organisations; and the two big organisations themselves were now becoming local rivals, not indeed opening an office in the same village, but planting themselves at an hour's distance from one another and drawing members in part from the same area. Neither side was willing to come under the other's banner, until in 1905 the Raiffeisen societies, which had suffered serious losses owing to rash investments in corn magazines, entered the *Reichs-Verband*, giving as their reason the desire to promote the unity of German agriculture. The only difference made in the Raiffeisen organisation is that their 13 *Verbände*, which formerly left the work of revision to the *General-Verband*, are now revising units themselves and take part with the 27 *Verbände* of the *Reichs-Verband* in the annual Congress; while the Executive at Neuwied is represented on the Executive of the *Reichs-Verband*—which has its office at Darmstadt—in order that a harmonious policy may be pursued. Raiffeisen's *General-Verband* still exists and still holds its Congress, with a view to preserving the Christian element in its societies and conducting them on its own distinctive business lines.

The distinctive business lines are two. First, the Raiffeisen organisation uses the credit society itself as the

channel for the supply and sale of agricultural commodities, contending that the costs of management are thereby diminished, which is specially desirable in poor districts, and that the harmony of village life is at the same time strengthened. The Haas organisation also combines non-credit business with banking in the case of small societies; but where the scale of business is large enough, it separates the two into independent societies. Three reasons may be given in support of this policy: first, it is demanded by the general principle of division of labour—a good accountant in a credit society may be a bad accountant for a supply society, which requires an official with sufficient technical knowledge of agricultural materials to test, where necessary, the goods delivered; secondly, the credit society, especially in large villages which have a little industry, contains members who have no connection with agriculture, and who ought not therefore to have an unlimited liability in business risks outside their province; thirdly, the credit society must be confined to a single village, while the supply society is more suited to embrace several villages. The Raiffeisen organisation does not carry its principle so far as to include dairies and other productive societies in the village bank: these, as in the Haas organisation, are for trade purposes independently worked. If, however, the Raiffeisen productive societies sell through a central channel, this is generally the Central-Darlehens-Kasse.

The second distinction is the centralised structure of the Raiffeisen organisation. Each province in the Haas organisation has its own central bank (Provinzial-Kasse) and its own central society for supply and sale (Haupt-Genossenschaft). The Raiffeisen organisation has for the whole of Germany one central bank (Central-Darlehens-Kasse), containing non-credit departments, at its headquarters in Neuwied. The provincial units (Filialen) are subsidiary to, and controlled by, the one central society.

As regards the structure of credit, both types of organisation are distinguished from the town banks by having a higher business unit than the single society. The Schulze-Delitzsch societies had in their earlier days a kind of central

bank in the concern of Sörgel, Parisius & Co., which was, however, absorbed in the Dresdner bank in 1904. The Dresdner bank indeed acts as a clearing-house for the credit societies, which are for this purpose formed in a "Giro-Verband" or clearing union, but, as a banking institution, it is quite independent. The partisans of the town banks are apt to pride themselves on this relation as a proof of their complete self-sufficiency. They forget that this is possible for them, not because they have sufficient funds in their own coffers to supply every credit need, but because an increasing part of their business is conducted through the trade bill of exchange, which is a marketable commodity that can be re-discounted by any outside bank, the Imperial Bank, the Dresdner Bank or any other. But agricultural societies, inasmuch as their loan papers cannot readily be bought and sold on the open market, require a special organisation. Hence the Central-Darlehens-Kasse and the different Provinzial-Kassen, which act as money equalisers between the different societies. In some districts money is superabundant, in others it is deficient. The central bank acts as a channel through which the abundance of one district can be drawn to supply the scarcity of another, the operations being conducted by means of current accounts with both parties. For this function the Central-Darlehens-Kasse is more adequate than the Provinzial-Kassen. For scarcity and abundance are not likely to occur by societies but by districts; so that a Provinzial-Kasse, which itself covers no more than a single province, is too small to effect a real equalisation. In Germany as a whole the societies of small agriculturists of the South-West have always an abundance of money, which is one reason why they dispense so much of their funds in the purchase of property transfers. The societies of large agriculturists in the North-East (the Ost-Elbien Provinces), where the capital employed on each farm is large and the population thin, are as a whole in continual want of it. Hence the superiority of the Central-Darlehens-Kasse, which is national in its scope.

In 1895 the Prussian Government,¹ impressed with the

¹ Cf. Die Preussische C. G. Kasse, 1895-1905 (Berlin, 1906).

fact that credit institutions in town and country still failed to place the small man on a level with the big as regards banking facilities, founded, with a capital of five million marks (since increased to 50 millions), on which a 3 per cent. interest is charged, the "Preussische-Central-Genossenschafts-Kasse," with the object of affording credit at a low and as far as possible unvarying rate to small producers, industrial and agricultural, provided that they are organised in associations. The Kasse serves societies in Prussia only. It deals with communal savings banks as well as co-operative societies, but its business here is to provide investments for their superfluous money with co-operative societies and elsewhere, rather than to supply them with credit. The co-operative societies are the chief receivers of credit; and they are for this purpose divisible into two classes—(a) productive societies which need credit for their associated production; (b) credit societies which require credit for the independent production of their individual members.

The Government saw that there were credit societies and productive societies in the town; that there were also credit societies and productive societies in the country. But it did not realise then, nor does it realise now, the difference between industrial and agricultural organisation. The Government suggested to the Schulze-Delitzsch banks that small producers were still without sufficient credit. The Schulze-Delitzsch societies beheld the red rag of Government interference, and retorted that they were quite able to take care of themselves—which was quite true, for a growing number of the credit-using members in a typical bank are large agriculturists, shopkeepers, or comparatively strong independent producers, employing in increasing quantity the most effective weapon of modern credit, the re-discountable bill of exchange. The Government did not realise that the small associations of hand workers, which they desired especially to assist, were very unimportant elements in the town banks' organisation. Consequently it was compelled to enter alone on a task in which the credit banks with such apparent disregard of their own interests declined to assist,

the task namely of granting credit to associations of small independent producers.¹ But no Government is able to disregard the structure of industry. The Kasse is compelled despite its evident wishes to do six-sevenths of its business with agricultural organisations; and those industrial societies which it has helped into existence bear the mark of inferior structures, artificially supported. The town banks knew by experience that the society of small independent producers was not a form of co-operation which it was profitable to encourage.

The Preussische-Kasse found a natural and easy response on the land. It deals as one whole with agricultural societies on the condition that they are organised in unions, no matter whether the members of these unions are credit societies proper or productive societies which are attached for the purpose of obtaining credit for themselves as associations. As regards its first class of customers, it is especially effective as an equaliser of money among the Prussian Provincial-Kassen of the Haas organisation, which are limited to a single province. It does not so much provide credit societies with additional money from outside as regulate funds which are in themselves sufficient if properly distributed. It only provides outside credit for the credit societies themselves at exceptional times, when agricultural credit, deprived of the town society's appeal to the discount market, is in real want. The exceptional experience of this want by credit societies proper is obscured through the fact that dairies and other productive societies do their credit business (I am not speaking here of their trade) through the credit union, whether Central-Darlehens-Kasse or Provincial-Kasse.

For example, the Central-Darlehens-Kasse is always in receipt of credit from the Preussische-Kasse, and therefore Raiffeisen banks are reproached by the Schulze-Delitzsch banks with dependence on the State. But in normal years

¹ The town banks also objected to the Government's plan of establishing special "hand workers' banks" for special "hand workers' associations," inasmuch as it was a principle with Schulze-Delitzsch to broaden the membership as much as possible, so as to employ the funds of those who were mainly savers in granting credit to those who were mainly borrowers.

this debt is not incurred in the interest of credit societies proper, as is proved by an extract from the balance sheet for 1905,¹ a moderately bad agricultural year :

AKTIVA	Konto Korrent.				
Credit } granted }	Raiffeisen Vereine (banks)	-	-	-	42,000,000 marks.
	Provinzial- und Landes-Genossenschaften (dairies, etc.)				15,000,000 „
PASSIVA	Konto Korrent.				
Deposits } received }	Raiffeisen Vereine (banks)	-	-	-	52,000,000
	Pr. & L. Genossenschaften (dairies, etc.)				100,000
Account with Preussische-Zentral-Genossenschafts-Kasse					
(a)	Schuld in laufender Rechnung (owing on current a/c.)				2,500,000
(b)	Schuld gegen Vereinsakzepte (owing against societies' acceptances)	-	-	-	7,000,000 ;

from which it is clear that the Raiffeisen-Vereine of themselves would have needed no outside supplies.

The Preussische-Kasse is not a charity institution. It charges a uniform rate of 3.5 per cent. on credit granted in current account and one-quarter to one-half per cent. higher on credit granted by way of acceptances; and out of this it makes for itself a handsome profit. But it does render two services which a bank established without capital lent on such cheap terms as 3 per cent. could not easily do. It saves agricultural organisations from the variations of the outside markets; keeping its rate almost constant and slightly lower than the Imperial Bank. It grants its credit in such a way as not to imperil the solvency of borrowers. All its members, of which the Neuwied-Kasse is only one, though the largest, are allowed a fixed credit limit by current account on blank security; beyond that sum they can obtain further grants by means of acceptances at a slightly higher rate. The Preussische-Kasse cannot grant unlimited credit by current account, because then it would lose control of too many of its funds. It can only grant credit beyond a certain point in a form which ensures that it shall return as soon as possible, without causing the societies any serious embarrassment. The process is as follows:—The Neuwied

¹ Jahres-Bericht des Neuwieder Raiffeisen Organisation, 1905, p. 14.

Central-Darlehens-Kasse (or a Haas Provinzial-Kasse in Prussia) grants credit to its members, which include productive as well as credit societies, on current account : it has itself a current account with the Preussische-Kasse. It may, however, reach the limit allowed by the Preussische-Kasse on blank credit and still want more. In that case it selects a number of societies who owe it money and asks their permission to exchange their debts on current account with itself for a debt acceptance drawn up by itself in these terms :—" Three months from to-day do you, the individual society, pay to us, the Central-Darlehens-Kasse, the sum of, say, 20,000 marks (the amount of your debt to us by current account)," signed and accepted by the individual society. The Central-Darlehens-Kasse transforms in this way sufficient current accounts to make up the required sum ; and then takes the acceptances to the Preussische-Kasse for discount. The Preussische-Kasse is willing to advance money in this way, because it is not likely to be tied up for more than three months. But, it will be asked, why is any society so rash as to substitute a debt with the Central-Darlehens-Kasse payable at an indefinite future time for a debt with the Preussische-Kasse payable unavoidably three months hence ? Because the Preussische-Kasse, although it has a right to demand payment from the society, does as a matter of fact present the discounted bill to the Central-Darlehens-Kasse, which cashes it if possible itself, and then re-opens the society's debt by current account as before. If the Central-Darlehens-Kasse cannot conveniently cash it, a renewal of three months is granted. By means of this seemingly ambiguous and contradictory procedure, the Preussische-Kasse hastens repayment and keeps before the notice of the Central-Darlehens-Kasse the fact that the extra grant is an extra grant, but it does not in so doing embarrass individual societies whose interests it was founded to promote. The safety of the proceeding is, as might be expected, not understood by many of the societies, who on that account demur to signing acceptances. In these cases, the Central-Darlehens-Kasse merely passes on to other and

more intelligent members, not punishing the unwilling parties by closing their current account.

Neuwied is in Prussia; and therefore all societies of the Raiffeisen organisation, whether in or out of Prussia, enjoy the services of the Preussische-Central-Kasse. Certain of the Provinzial-Kassen of the Haas organisation are in Prussia; these also enjoy the services of the Prussian bank. But the Provinzial-Kassen in the provinces outside are thus left unprovided. To meet this want the Haas organisation has created at its headquarters in Darmstadt a "Reichs-Genossenschafts-Bank," which is to credit unions in provinces outside Prussia what the Preussische-Kasse is to the credit societies within its boundaries. It equalises the funds of the different provinces and supplies extra credit in case of need. It has been created without Government support with a share capital subscribed by the societies themselves. Although the Preussische-Kasse has worked on the whole so judiciously as not to give an unhealthy stimulus to agricultural organisations, yet as an institution it is not the creation of the societies themselves and therefore not so purely co-operative as the self-created Reichs-Genossenschafts-Bank. The procedure of both banks in the granting of credit is the same, except that the credit advances of the Reichs-Genossenschafts-Bank are on a much smaller scale.

The Reichs-Genossenschafts-Bank has, however, a second function. It acts as banker for its Haupt-Genossenschaften or central societies for supply and sale, both in and out of Prussia. The Haupt-Genossenschaften in Prussia would, of course, be entitled to belong to the Prussian bank, as some of the Haas dairy societies actually do through their Provinzial-Kassen. But the existing arrangement is more convenient; for the chief requirement of the Haupt-Genossenschaften is not credit, but a clearing-house for trade payments between one province and another.

Thirdly, the Reichs-Genossenschafts-Bank has agents in foreign countries who pay for the raw materials ordered by the societies from abroad—as, for example, manures and food stuffs from Galveston in the United States.

Finally, the Reichs-Genossenschafts-Bank, which has

already taken 4,000,000 marks worth of shares in the Prussian bank so as to obtain a voice in its policy, has just opened for itself a special account there, which enables the Haas and Raiffeisen societies to accept each other's cheques in payment of produce, settling the balance at a common centre.

From this it is clear that the Reichs-Genossenschafts-Bank is more occupied in regulating the business of trading societies than in granting credit to credit societies proper.

To resume, Germany is the model country for co-operative credit, and in Germany the co-operative credit association has been the parent of every other form of co-operation. But in the town the connection is in a sense unnatural, the mere accident of history, and it is already weakening and breaking up before the differentiation of industrial evolution. In the country the connection is natural and permanent. The study of agricultural credit includes the study of the whole of agricultural organisation; but agricultural credit may mean two different things—the credit which is built upon the village bank of individual farmers, and the credit which starts from those same men organised into a society for the supply and disposal of agricultural commodities. Finally it must be borne in mind that although the most intricate part of the credit problem is the superior structure erected upon the credit unit, yet the unit is by far the most important thing of all. It is by this unit that the intelligence and hearts of the people are touched and transformed from weak ignorance to sympathetic strength; it is in this unit that the truly co-operative elements are contained; and it is the creation of this unit that is the most lasting monument to the twin geniuses of Schulze-Delitzsch and F. W. Raiffeisen.

CHAPTER IV.

CREDIT IN OTHER LANDS.

I. Town Banks:

ITALY: Luzzatti Model—Differences from Schulze-Delitzsch Model—Democracy of Administration—Limited Liability—Popularity of Bills of Exchange—Measures taken to Favour the Weak—Friendly Relations with Workers' Societies and Country Banks. SWITZERLAND: Peculiar Position of Schweizerische-Volksbank. BELGIUM: "Banques Populaires"—Middle Class Wing of Belgian Co-operation. FRANCE: "Centre Fédératif."

II. Country Banks:

ITALY: Wollemborg and Don Ceruti—Neutral *v.* Catholic. BELGIUM: Predominance of Catholic "Boerenbond Belge"—"Caisses Centrales"—State *v.* Self-Help—Policy of Decentralisation. FRANCE: Predominance of State Activity—Connection with Syndicates. SWITZERLAND: Lateness of growth due to Efficiency of Old Methods. IRELAND: Lateness of growth due to Backwardness of People—Reasons for Absence of (a) Town Banks in Great Britain, (b) Country Banks in Great Britain and Denmark.

IN Italy, Switzerland, Belgium and France there are town banks after the model of Schulze-Delitzsch: in Italy, Switzerland, Belgium, France, and Ireland, there are country banks after the model of Raiffeisen. In none of these countries, however, is credit to so marked an extent the starting point and rallying centre of other forms of co-operation. The town banks are not part of a general scheme of co-operation at all. The country banks indeed are strictly connected with agricultural organisation, but in France, Belgium, Switzerland and Ireland they are connected as subordinate sections only: co-operation in these countries has started with supply and sale, and the credit bank has been introduced afterwards. In Italy rural credit and other forms of agricultural organisation are parallel developments.

I. What Schulze-Delitzsch was to Germany, Signor Luzzatti has been to Italy. Like Schulze-Delitzsch he began tentatively on a small scale in the town in which he lived. The Popular Bank of Milan started in 1865 with a capital of 700 lire, of which Luzzatti was the "millionaire

shareholder ¹ with 100 lire. Luzzatti had to work on material even more unpromising than had Schulze-Delitzsch, but by continuous writing and oratory he arrested the general attention, which, once arrested, responded with extraordinary enthusiasm. The Italian banks differ from the German model in five special points :—

First, the administration is more democratic. The representative organ is the "Consiglio d'amministrazione," a large board which controls on the one hand the paid officials, the manager, chief cashier, book-keeper and subordinate clerks, and on the other hand the audit committee (Sindaci) composed of 3-5 members selected out of the Consiglio itself. They are assisted by two committees, unknown to Germany; by the Comitato do Sconto (Discount Committee), 15-40 in number, which advises on applications for credit with the help of a special register (Castelletto), containing the credit sums of which the members are from time to time considered to be worthy: and by the Comitato dei Rischi (Risks Committee), which watches the use of credit already granted and secures prompt repayments. In cases of dispute there is a special court of appeal called the Proviviri. Legally, the German Vorstand and the Italian Consiglio d'amministrazione are parallel organs. But in Germany the Vorstand is a body of three, director, cashier and book-keeper, managing credit grants as well as the daily course of business, subject only to the supervision of the Aufsichtsrat, which is necessarily independent of it. In Italy the Consiglio d'amministrazione is a body of amateurs, which with the help of two further amateur bodies decides upon the granting of credit, and controls generally not only the paid officials, who perform the daily business duties of the Vorstand, but also the Sindaci, who supervise the books of the paid officials. Such a constitution is more secure and more educative, if only it can be economically worked: and it has been so worked in Italy because of the willingness with which Italians as a race serve gratis in corporate institutions, although the most onerous duties are involved.

¹ Luzzatti's own words.

Secondly, the liability of the shareholders is limited. Unlimited liability was a kind of fetish to Schulze-Delitzsch, the *sine qua non* of all co-operation. Luzzatti had the genius to see that, though suited to the Germans, who had been accustomed to it since the establishment of land banks with unlimited liability and compulsory membership by royal decree in the middle of the 18th century,¹ it was alien to Italy, where organised credit was unknown and where there were greater extremes of rich and poor, who could not have been induced to co-operate on a basis of unlimited liability. The Italian banks were saved from the doom pronounced by Schulze-Delitzsch on any other than an association of unlimited liability, namely impossibility of commanding outside credit, by the readiness with which the communal savings banks and the Friendly Societies recognised them as a secure investment for their funds. The shares in Italy are smaller than in Germany, averaging 40 lire, but they must be paid up within a time limit, usually ten months.

Thirdly, the chief channel of credit has always been the bill of exchange, advance bill or trade bill. Their popularity is in part due to the fact that bills of exchange have been familiar to Italians from the middle ages. It is said² also that the banks like bills of exchange: first, because it is easier to refuse renewal if the borrower is making bad use of the loan or has not already paid a part; secondly, because they can be easily re-discounted. The chief re-discounting house is itself a co-operative credit bank, namely the great Popular Bank of Milan, with which the smaller banks have accounts. The Bank of Milan, on being instructed by the smaller banks that a member of the latter, whose advance bill it holds, desires a renewal, holds over the bill for another term of three months or more, in the same way as the Preussische-Central-Genossenschafts-Kasse. In France also, where the Bank of France has special relations with the co-operative banks, the same method is pursued.

¹ Cf. Wolff, *Co-operative Credit*, cap IX.

² Cf. Nicholson, *op. cit.*, I., 168.

Fourthly, while feeling the same tendency as in Germany towards the neglect of the small man, the Italian banks have combated it not only in speech, but in deed. Where the funds are limited, the preference is given to smaller loans. Moreover, where funds permit, some of the richer banks, in addition to the ordinary credit business with members, make special loans to poor non-members on no security but the latter's good faith (*prestito sull' onore*). Although the loans are always repaid ultimately, they are not productive loans so much as loans in anticipation of wages, pawnbroking operations with the pawn excused. Many of the banks have decided to make no further grants, unless the borrowers belong to a Friendly Society—which illustrates exactly their non-trading character.

Finally, the banks have not held themselves aloof from industrial associations of producers, nor adopted an aggressive attitude towards country banks. The industrial associations are workers' societies, not the supply and sale societies of Germany; hence the loans are made to the societies. In 1898 fifty-one banks lent 100,000 lire in this way: this works out to the small average of under £80 per society, suggesting that the larger societies are strong enough to bank in the ordinary fashion. The rural banks are also frequently the recipients of the superfluous funds of town banks. The big town banks have themselves established country branches, sometimes as mere auxiliaries, sometimes as self-governing colonies destined for ultimate independence. But in spite of this, town and country banks have never shewn themselves jealous rivals, whether because of the more statesman-like control of the town banks or because neither side as yet is sufficiently developed. Moreover, there is not in Italy the same dividing line between the large town bank and small country bank. There are a few big town banks with country branches, then a number of banks embracing districts with town and country members, then a few very small town banks ("*bancine*") for artisans only, finally the country banks proper, which are of a fairly constant size.

In 1906¹ the Popular banks numbered 829; of which 760, including all the important ones, had a capital (including reserves) of 133 million lire. It is noteworthy that the deposits (700 million lire) exceed the credits (453 million); which agrees with the fact that the Italian banks have among their members a higher percentage of non-borrowers, such as wage-earners and salaried officials, than the Schulze-Delitzsch banks.²

In Switzerland and Belgium the town bank stands more emphatically alone than in other countries. Swiss Popular banking is represented by one big institution, the "Schweizerische-Volksbank" of Berne, with branches over the whole of Switzerland. Its shares are big, 1,000 francs, and it is reported to favour large clients. Its rate of interest is, however, moderate, 5 per cent.; and although it deals with non-members as well as members, it gives the latter more favourable rates. Its membership is almost exclusively industrial. Ordinary statistics contain no mention of the Swiss Popular bank, which again exemplifies the natural tendency of the town bank to slip away from its starting point and to lose what is felt to be an essential, the membership of the small man.

In Belgium³ there is a prosperous group of credit banks, 17 in all, united for purpose of general organisation only in "La Fédération des Banques Populaires de la Belgique." The Belgian town bank is one of the three sharply-defined branches of Belgian co-operation:—The Socialist associations of consumers; the Catholic associations of agriculturists; the Neutral middle class associations of town banks. As I travelled across Belgium, visiting now one, now another representative of all three branches, I found no consciousness of or desire for the unity of the movement as a whole. The co-operation of each branch was to it the whole of co-operation. The members of the town banks are almost entirely inhabitants of the town, the credit-using members

¹ Cf. Dr. Magdali, "Relazione e comunicazione," presented to Congress of International Co-operative Alliance, Cremona, 1907.

² Cf. M. Ch. Gide, *Economie Sociale* (1907), p. 452.

³ Cf. Annual Reports of "Banques populaires de Belgique."

exclusively the industrialist shopkeepers and manufacturers, the chief method of granting credit being the current account. The oldest bank, at Liège, was established in 1864 by Monsieur Léon d'Andrimont, one year before Luzzatti's first bank in Italy. The bank of Verviers, established in 1865, has a large proportion of wage-earning members, and it has been extolled as a bank "vraiment populaire"; but their importance is diminishing. As the manager said to me, "wage-earners do not want credit and the credit-users must be the guiding force of a developed bank." The banks as a whole are increasing in size but not in number; and once more the familiar words are heard: "These banks, created originally to assist the artisans, have gradually lost this feature and neglect the custom of the small men. Their force (leur essor) has considerably slackened, and since 1892 no new Popular bank has been created in Belgium."¹

The Popular banks in France amounted in January 1907² to 18, of which 8 are members of the "Centre fédératif du crédit populaire en France" under the presidency of M. Rostand (headquarters, Marseilles). The most important is the bank of Menton, founded in 1883, with 552 members. Popular banking, however, has taken no firm root in France, whether owing to the efficiency of the ordinary banks—which is very doubtful—or the much-talked-of individualism of the French character. The little group in the South-East is directly due to Italian influence.

II. The rural bank in other lands follows even more exactly and more consciously the German model, although in Switzerland and Ireland, where the institutions are young, operations are confined to simple loans. In Italy the first credit bank was founded in 1883 by Signor Wollemborg, doctor of Lorregia, a small village in the province of Veneto. History repeated itself: the practical philanthropist moved to action by the sight of the misery around him: the hard slow beginning in the village: followed by the quick

¹ M. Varlez, quoted Ch. Gide, *op. cit.*, p. 453.

² *Statistique de la co-opération industrielle et commerciale*, published by Government, Sept. 1907, pp. 23-6.

onrush of a national development: and with success, division. But whereas Dr. Haas found too much religion in Raiffeisen, the priest Don Cerutti was dissatisfied with the religious neutrality of Dr. Wollemborg. Hence in 1892 the first Catholic bank, founded and controlled by the priests. Since then Neutral banks have developed in Veneto, the province of their foundation, but elsewhere the tide has been with confessionalism. In 1906 the banks numbered 1,461:¹ the Catholic banks being to the Neutral ones in the proportion of about 7 to 1.

Belgian country banking² resembles Italian with the difference that in Belgium the organisation has been in the hands of the clergy from the start: and that this organisation is a sub-section of a larger organisation, comprising agriculture in general. In 1892 the first bank was founded by M. L'Abbè Mellaerts: in 1902 there were 316: in December, 1905, 431. From this it is clear that in Belgium, as in Italy, the country has awakened suddenly to the satisfaction of a great need. But it is also clear from Belgian experience that it was not merely credit that was wanted, but credit granted after a special model. In 1881 the Government founded "comptoirs agricoles" or local commissions with powers of granting credit to agriculture out of the State "Caisse d'Epargne." But these institutions, worked from above, failed entirely to reach the small man and degenerated into agencies for land mortgages to big farmers. The Raiffeisen bank for the first time made borrowing an honourable thing in the eyes of the small peasants.

The "caisses locales" (local banks) are joined together in six "caisses centrales" (central banks), of which that of the "Boerenbond belge," with half of the total number (215 out of 431) is the largest. The "caisses centrales," outside that of the Boerenbond, have two functions in common:

- (1) To inspect the separate banks in their district.

¹ Cf. Magaldi, *op. cit.*, p. 25.

² Cf. A. Vermeersch, *Manual Social*: "La législation et les œuvres en Belgique," pp. 602-625.

- (2) To act as intermediary between these banks and the State "Caisse générale d'Épargne," which grants credit to the separate banks, on condition that the loan papers are backed by the "caisse centrale."

The superfluous funds of societies—and most of the societies save more than they lend—are thus still placed in the secure hands of a central State bank, but they are successfully sent back again to the land through an intermediary channel, created from below. The Boerenbond alone of the "caisses centrales" has taken the final step towards decentralisation and itself become a centre for the receiving of deposits and their subsequent re-issue, officiating exactly as a Central-Kasse in Germany. The Government, instead of resenting this decentralisation, has positively promoted it by a recent law of 1903, which penalises societies holding individual accounts of more than 2,000 francs, by allowing to such societies a lower rate of interest on their deposits with the State bank than the normal 3 per cent. Consequently most of the strongest societies, which are also all members of the Boerenbond, put their savings directly into their own "caisse centrale" for direct re-issue to credit-needing banks. In 1905 no loans were obtained from the central State bank through the agency of the "caisse centrale" of the Boerenbond, which itself opened 163 credit accounts amounting to over 1,000,000 francs. Societies outside the Boerenbond must either keep their members' accounts below 2,000 francs, or submit to a reduction of interest. The problem of Belgian rural credit has not been so much, as in Germany, to create thrift, which has been there from the first; but rather to draw back savings lodged with a central bank down an acceptable channel, and to induce the people to prefer a productive use of their own money to the anomaly of placing savings at 3 per cent. with the State and obtaining credit secretly and shamefacedly at 10 per cent. from private money-lenders.

The banks preserve unimpaired the three great marks of the Raiffeisen model—unlimited liability, parish area, and fractional unremunerated capital.

French rural credit is of recent development. The first credit bank was constituted as a section of the agricultural syndicate of Poligny in 1885. For fifty long years before this French agriculturists and economists wrestled with the problem of rural credit. They realised the necessity of short-term loans for the small man, but in truly French spirit they evolved out of their reasonings a State-supported association (*le Credit agricole*), loaning on the security of chattels. Even when the syndicate of Poligny, a local and popular association, at last attacked the problem from the right side, it was an isolated, unsupported effort, until the law of 1894 was brought in to smooth the way. This law facilitated the creation of credit societies, under the wing of the syndicates, by reducing the expenses of their constitution to a minimum. To profit by this law, the societies must only grant loans to members of the syndicate. But it is not necessary that the syndicate members should also be members of the credit bank itself. This is the first great departure from Raiffeisen principles. A second difference follows. The banks may have limited liability, limited either to the amount of the shares or to a certain multiple of this amount. The law allows unlimited liability, but this is generally unsuited to a credit institution of uncertain size loaning sometimes to non-members. Finally, a third difference, which is an undoubted weakness, occurs in certain of the banks thus constituted, namely, the division of membership into a double class of "Fondateurs" or patrons who conduct the management and supply the funds, and of "Sociétaires," who make use of the credit.

Not unnaturally such banks lacked the impulse of local patriotism, which is the secret of the true type. To take the place of this the State was called in, and the law of 1899 was the result. By this law the Bank of France was compelled, in return for the renewal of its privilege, to grant an interest-free loan of 40 million francs to agricultural credit, with a present in addition of over 2 million francs annually. This is not given to individual societies, but to "caisses régionales" created for the purpose, which employ it as a working capital for operations similar to those of a German

Provincial-Kasse. The State funds have been charily used. In 1904 the working capital from this source amounted to 14 $\frac{1}{4}$ million francs, as against 4 $\frac{1}{2}$ million francs subscribed in share capital by the constituent local banks.

In 1907¹ the rural banks numbered 1,767, of which 1,638 with 76,186 members are affiliated to "caisses régionales," and 129 with 6,086 members (for 108 societies) independent.

These fall into three groups:—

(1) Those created under the wing of the syndicates, according to the law of 1894, and not joined in any federal credit union.

(2) Those adhering to the "Centre fédératif," which counts 602 local banks and 3 "caisses régionales." The nucleus of this union is, as we have seen, the small group of town banks. The adherent rural banks are constituted under the law of 1894, exactly as those in (1), the only difference being that they submit themselves to the advice and rulings of a higher federal body.

(3) Those adhering to the "Union des caisses centrales" under the presidency of M. Durand, with its seat at Lyons. These follow strictly Raiffeisen's model both as to unlimited liability and religious atmosphere. They are unconnected with the syndicates, from whom they meet with a certain amount of opposition. However, the chief point of dispute was settled in their favour by the Congress of Arras (1904), which passed a resolution that "the local banks, *whatever their type*, shall continue to be admitted into the constitution and operations of the 'caisses régionales' (as defined by the law of 1899), and that, if necessary, there shall be formed within the same region different "caisses régionales" for each category of local banks."² This ruling was confirmed by the Government decree of 11th April, 1905. Accordingly some of the Durand banks are affiliated to the "caisses régionales," while others—the independent banks above-noted—prefer to remain independent.³

¹ Statistique for 1907, cit., pp. 23-6.

² IV^o, C. N. Arras, p. 348.

³ Prof. Ch. Gide (Economic Sociale, Edition 1907, p. 486) puts the total for all classes of banks at "nearly 3,000." This would seem to come from taking the 1,638 banks affiliated to "caisses régionales" as belonging to type (1) only, and then adding approximate figures for types (2) and (3).

The problems of French rural credit are peculiar. The French peasant, like the Belgian, has always been thrifty, often possessed of a little private capital which he stores in a stocking, never the hopeless prey of the money-lender; so that his strong individualism has in a way hindered the tendency to voluntary co-operation. His associative spirit, however, has now been roused, but at the cost of those difficulties which lavish State assistance is bound to involve. These difficulties centre upon the State-fed "caisses régionales."

First, the price of credit. Because the "caisses régionales" have not to pay for the bulk of their money, they can lend, if they wish, to the banks at below market rate: and in practice the price charged varies between 1 and 4 per cent. This has the disadvantages (1) that the farmers are given a false idea of the value of an under-charged loan; (2) that such paper cannot be re-discounted with the Bank of France; (3) that those "caisses régionales" which therefore adhere to the market rate are in danger of seeing their members transferred to a more lenient "caisse." Accordingly the Congress of Périgueux passed a resolution that the "caisses régionales" ought to base their rate of discount on that of the Bank of France.¹

Secondly, the mode of credit. To secure the mobility of their capital and prevent it from "eternalising," the "caisses régionales" are instructed by the decree of 1905 to make advances in excess of the local bank's share capital, *i.e.*, to make the great majority of their advances, in the form only of re-discounts of three month bills of exchange. The inconvenience to agriculture of this restriction, which is only workable by the bank in its turn promising its members to secure renewals of the original bills, led the same Congress² to pass the resolution that full liberty should be given to the "caisses régionales" to regulate the proportion between "avances directes," *i.e.*, on current account, and advances under form of re-discounts, according to the requirement of

¹ V^o, C. N. Périgueux, p. 465.

² V^o, C. N. Périgueux, p. 472.

each district. In the course of the preliminary discussion more than one speaker, *e.g.*, M. Durand,¹ pointed to the example of Germany, where in 1900 only $2\frac{1}{2}$ per cent. of the advances by central to local banks was in the form of re-discounts. But it is important to remember that in the case of Germany, the liability of the local banks is practically always unlimited, so that there is no risk of non-payment, and also that the banks themselves provide all and more than all the funds which they use for credit purposes.

In Switzerland the Raiffeisen credit banks are as a movement only six years old, although a few seem to date back to about 1890. In 1905² there were 49 banks allied into a Verband, which also operates as a Central bank, equalising supply and demand. The backwardness of the movement may be attributed in part to two things: first, as in Belgium and France, the inhabitants have always been thrifty, and their thrift has been encouraged by excellent savings banks under the management of the Cantonal Governments; secondly, the parish has itself often acted as a credit-giver: it has been an old custom, which is still maintained in two cantons, for cattle to be bought co-operatively through the parish, which advances the money, the farmers repaying subsequently. The Swiss credit bank is not so much a revolt against the devastations of usury, as the quiet replacement of old credit methods by new methods, of which other nations have demonstrated the excellence.

The Irish credit bank owes its late appearance to opposite reasons: the intense hopelessness of a nation distracted by political and religious quarrels. It owes its foundation to the body of pioneers, who have organised other forms of agricultural co-operation. In ten years the banks have increased to 200 in 1905³ (in 26 out of 32 counties), the majority of which are in the very poorest regions of the West of Ireland. Their operations are very simple: small sums, obtained on interest from private banks or the Irish Government, and re-lent to borrowing members. The banks

¹ V^o. C. N. Périgieux, p. 472.

² Cf. III. Jahresbericht Schweizer. Raiffeisen Verband, 1905, p. 6.

³ Cf. 11th abstract of Labour Statistics, p. 178.

have not yet become the general repository of local savings.

Such is the wide field of co-operative credit, industrial and rural, but wide as it is, the question at once suggests itself—why is it not still wider? First of all why no town banks in England? Secondly, why no country banks in England—and above all in Denmark, a country with a highly-developed and co-operative agriculture?

As to town banks, the answer as regards England seems to be in two directions. First, the industrial revolution has been more complete than on the Continent, so that there are more wage-earners, who do not want credit. Secondly, private banking has been more successful in satisfying the needs of small men, especially in Scotland. The very fact that credit has been well organised in private hands has removed the stimulus towards the co-operative and probably more perfect form.

As to the country banks, the explanation is not hard to find in England. The farmer, under the English system of land tenure, obtains from the landlord not only land, but fixed capital: and being a much larger man than the small proprietor of the Continent he is strong enough to command what current capital he needs at the private bank. The British farmer has also in the past shewn himself constitutionally averse to association for business purposes with his neighbours. However, even in England the movement is beginning. There were 11 rural banks in 1906, and their increase may be expected under the encouragement given by the Small Holdings and Allotments Act of 1907.¹

But how can the absence of co-operative banks be accounted for in Denmark, a country of small peasant proprietors, intelligent and neighbourly, with a brilliant record of co-operative success in every other form of agricultural co-operation. The answer is found in part in the democratic level of the private banks, but in part also in their nature of Danish agriculture and the very success of their agricultural organisation in general. The Danish farmer does not grow corn—he raises cattle. He has not to await

¹ Cf. below, p. 108.

the results of a single harvest, and he has not, therefore, to borrow funds in anticipation of it. The year round he is raising pigs for killing, cattle for milking, and fowls for their eggs. He sends his pigs away to the co-operative slaughter-house, his milk to the co-operative dairy, his eggs to the co-operative egg society. Since these societies pay him monthly he has a constant stream of ready money for current wants and therefore does not need small advances on personal credit. The co-operative society itself is strong enough to bank with private banks, which have developed on very efficient lines. For this reason it is possible that in Ireland, where agricultural conditions are similar, though more backward, credit societies¹ may experience a natural limitation, as other forms of co-operation grow. Credit, indeed, is not like food or clothing—a necessity for all men always. It is only a conditional necessity; and, when the conditions are absent, credit is superfluous, if not harmful.

¹ Such societies must, however, be useful as deposit banks primarily. It is said that the dairies give the Irish farmers too much ready cash, which is wasted in the public-house stationed with that intent opposite the dairy.

PART II.



AGRICULTURAL SOCIETIES

CHAPTER I.

GENERAL CHARACTER.

Complexity of Form.

IN discussing co-operation as applied to the processes of agricultural production, we can as little speak of personal inventors and pioneers as we can name the authors of the factory system in industry. There are striking personalities, but these are lost in the universality of the movement. While an international comparison is facilitated by the predominance of the type over the individual, it is made complex by the great number of the types. Credit signifies one or two definite structures, and agriculture, where it needs co-operative credit, adopts a fairly constant type. The processes of agricultural production, however, depend on the nature of the land. We may confidently assume that a village of small peasant farmers requires a bank on the model of Raiffeisen. But it is obviously idle to advocate a co-operative dairy until it is clear that the land is suited for dairy farming. Germany may have successful corn societies, but it is idle to deplore their absence in other lands, unless corn-growing in bulk is suited to the conditions of the soil and of the market. Agriculture even more than industry requires a minute acquaintance with existing natural conditions. Lancashire might be famous for cotton goods, if the raw cotton plant were removed from the United States to South America. There could not be Wiltshire butter without Wiltshire cows. However, the supply society corresponds to the credit bank in meeting a general need. Before we know what the land is like, we may conjecture the existence of a supply society or the need for one. All land requires some kind of manure, implement and seed. But we cannot say off-hand what will be the relation of this society to other agricultural societies. If the dairy society

is much stronger than the rest of the movement, it may conduct supply as a sub-section of itself. Even if the different forms of co-operative production are more or less equally advanced, the accidents of history may for the time being unite departments capable of separate treatment, as happens in the German Raiffeisen societies.

As there is no parent-country, such as was Germany for credit, the following method of treatment seems the best :— First, to sketch in each country separately the history of co-operative growth, noting the time of origin, the statistics of the present and the relations of one form of co-operation to another, as figures in a single national picture : then in the second place to analyse each type of society, as it occurs in the different countries. In the second half, details of history may be neglected, but permanent distinctions of national character and geographical position must still be borne in mind. How does a co-operative dairy work ? This may be answered whether we have in mind a dairy in Jutland or in County Cork. Why does a bacon-curing society succeed in Denmark, while, it may be, it fails in Ireland under similar conditions of land tenure and in the same economic atmosphere ? Here we may have to say, because they are Danes, because it is Denmark.

When both these aspects have been developed, the results may be applied to two further problems, namely :—How far is the growth of co-operation co-extensive with certain broad changes in the methods and nature of agriculture ? How far is co-operation bound up with a particular system of cultivation ?

CHAPTER II.

(A)—GERMANY; (B)—DENMARK; (C)—SWITZERLAND; (D)—THE UNITED KINGDOM: (a) Ireland, (b) Great Britain.

(A).—GERMANY.¹

THE Teutonic countries led the way in agricultural co-operation, Germany emerging earliest, under the ægis of the credit bank. First came the rural bank, then the supply society, then different forms of co-operative production. The rural bank has already been examined.

Supply.—A. D. Thaer (1752-1828) and J. von Liebig (1803-73) were the two first Germans to develop the science of agricultural economics. Between 1850 and 1870 the discoveries of the laboratory were transported to the land, whereupon it became for the first time apparent that the supply of the materials of agriculture was in the hands of an army of small middlemen, at once ignorant and dishonest. The first remedy attempted was the supervision of the middlemen through "Kontrolle" or test stations, erected by the "landwirtschaftliche Vereine" (non-trading unions for the advancement of agriculture). These test stations succeeded best in those cases where the purchasers themselves submitted their wares after delivery; for wherever middlemen undertook this before sale, they were suspected of tampering with the test stations. The second remedy, the direct result of the teaching of the first, was the abolition of the middlemen, and the assumption of their work by the associated farmers.

Raiffeisen on the one hand, and his future rivals under Von Langsdorff on the other, vigorously fostered the

¹ Cf. Dr. Friedrich Müller: "Die geschichtliche Entwicklung des landwirtschaftlichen Genossenschaftswesens in Deutschland," espec. pp. 166-192, 357-515.

business of supply. Each organisation felt its way experimentally over the same stages of growth. First, from 1869-1880, the individual Raiffeisen banks negotiated with the wholesale dealers under the general advice of Raiffeisen himself. From 1880 to 1883 the "Anwaltschaft," the governing body of the organisation on its non-commercial side, acted as agents for the societies at the latter's risk and guarantee. Then in 1883 the firm of Raiffeisen and Co. took over the agency, as a trading body.

So also the future rivals of Raiffeisen. Here the fore-runners of the supply societies proper were the Kasinos or local meetings. The "landwirtschaftliche Vereine" of different provinces were divided into sections: within these sections conferences were held from time to time at "Kasinos," now in one village now in another: then the Kasino became a fixed non-trading society, which incidentally procured supplies for the affiliated farmers. The Kasinos, of which there were many, between 1850 and 1870, were influential in spreading the habit of association among farmers. Created from above, they were essentially pioneer bodies, and they retired when they had taught their lesson, to make way for the self-originating co-operative society. In 1872 the first legally constituted supply society was founded at Friedberg in Hesse: in 1873 there were in this province no less than fifteen, which at the close of the year formed the "Hessische-Verband" under Dr. Haas. Up to 1885 the single societies dealt directly with the merchants, distributing supplies at net cost among their members. After 1886 the societies dealt indirectly with the bigger merchants or manufacturers through their own wholesale business centre (Haupt-Stelle). The "Haupt-Stelle" was at first an agency under the non-trading body, the "Verband," but after 1890 the agencies were transformed into regular wholesale societies (Haupt, or Einkaufs-Genossenschaft).

The Haas supply society at Insterberg was the pioneer in the movement towards wholesale centralisation: and its development was peculiar. Founded in 1871 at Insterberg

in Ost-Preussen by the provincial union for the advancement of agriculture, it drew its members from the big farmers in the province. But the little farmers were unable to use this large society, and thought themselves too weak to found small independent societies of their own. So in 1885 they attached themselves as small supply societies to the Instenberg society, which became for them an informal wholesale society. The Instenberg society managed all the business part for them at the charge of a small commission. Finally in 1890 the small supply societies were admitted as society members, while the Instenberg society's individual members are served as before. This development has a treble significance, shewing (1) that the supply societies have an important field in large no less than in small-scale agriculture; (2) that large and small farmers can by devices of machinery successfully co-operate for supply, albeit similarity of status is almost indispensable for the rural credit bank; (3) that one important society may shelter its weaker brethren, till they are strong enough to stand in equal alliance.

The way pointed out by Instenberg was followed at once by the rest of Germany, with the exception that here the special pioneer was absent and the provincial wholesales were composed of society members only. Most of them became at once members of Haas' Allgemeiner-Verband (General Union),¹ but they were at first unconnected with one another for business purposes.

From 1895 onwards began the final stage in the development of the supply society—national business federation. German agricultural co-operation as a whole now begins to move in a different atmosphere; and in the department of supply, strongly organised co-operative societies begin to unite in national opposition to the nationally organised "Kartel" of non-co-operative industry. Each wing of German co-operation prepared for the change.

At Neuwied, where the existence of the private firm of

¹ This must not be confused with the Allgemeiner-Verband of the Schulze-Delitzsch town banks. It is the General Union of Haas societies, which is to-day called the Reichs-Verband (Imperial Union).

Raiffeisen & Consorten was raising more hostility among outside traders than among the affiliated societies, the patronage of the credit banks was more loyally given, activity being concentrated solely on the raw materials of agriculture, to the strict exclusion of general provisions. In 1897 the firm took an important step towards independence of the outside markets by acquiring a manure factory, the "Unitas," in Neervelt, Belgium.

The Haas societies too realised that national concentration was necessary to meet the Kartels. As early as 1886 a commission was appointed to secure good terms for the societies in "Kainit" and "Thomasphosphatmehl." Suggestions of permanent concentration at first met with bitter opposition, but in 1894 a standing business committee for negotiating supply contracts was appointed by Haas' General Union. In 1896 this was converted into a "Verbandsyndicat der deutschen landw. Einkaufs-Gen." (German Co-operative Supply Societies' Syndicate).¹ Moreover from 1888 the General Union acted as agent for the supply of Kali and Kainit for the different societies and provincial wholesales, working in conjunction with a non-co-operative body, the "Deutsche Landwirtschafts-gesellschaft" (German Agriculturists' Association), which is chiefly composed of big farmers. Other societies, outside the two main organisations, such for example as the Bavarian Union, certain dairy unions, and isolated credit societies also centralised their purchase of raw materials.

The most powerful Kartel against which agriculturists had to contend was the Thomas-Mehl Syndicate, formed in 1889. This same year the German Agriculturists' Association, in alliance with the Allgemeiner-Verband, attempted to fight it, but without success. In 1897, at Dr. Haas' initiative, a second and successful attempt was made, which resulted in the "Bezugsvereinigung der deutschen Landwirte" (Supply Union of German Agriculturists).

¹ The German "Syndicat" or Trade Combination must not be confused with the French "Syndicat" or professional union, whether of lawyers, doctors, farmers or workmen (applied to the last, it equals "Trade Union").

This was joined by every section of agricultural co-operation—Neuwied, Darmstadt, the Bavarian Union, the “Bund der Landwirte” (Farmers’ League), Berlin, together with the non-co-operative German Agriculturists’ Association. Its chief function was to negotiate supplies from the Thomas-Mehl manufacturers. In 1898 one and a half million farmers of all grades were connected with it. Thus have German agriculturists been drawn together to form, over and above their own supreme general unions, this supply union, which is a purely business machine, national in scope, and registered at law as a joint-stock company limited.

Production. The remaining kinds of co-operation are offshoots from the central stem of credit and supply, being later in appearance historically, and smaller in numbers and importance :

(i.) *Dairies.* The German seaboard, Oldenburg, Schleswig-Holstein, Mecklenberg, Pommern, Ost- and West-Preussen, is the main area of dairy farming. It seems that the introduction of modern processes of butter-making preceded by some years co-operative methods of manufacture and marketing, the first co-operative dairy¹ being founded in Ost-Preussen in 1871, and the first dairy union in Oldenburg in 1878. Many of the earlier societies did not correspond to the normal type of co-operative dairy. The Oldenburg (1878) and the Schleswig (1886) Unions merely market the butter made in the private dairies of large farmers. The normal type—co-operative dairies with the central sale dépôt at their head—first appeared in 1888 in Hesse, but even here private owners were members of the dépôts. Since 1889 the co-operative dairies of Brandenburg and its neighbourhood have marketed their butter through a private company, “Klee-Blatt,” at Berlin, which again is used by private owners. Between 1893 and 1894, however, five central dépôts were established in the Baltic provinces, organised in the normal fashion—co-operative dairies alone being members of the co-operative dépôts. Between 1893 and 1900 no new dépôts were established. The central

¹ Cf. Jahrbuch of Reichs-Verbandes, 1905, p. 422.

unions in North Germany are members of the Reichs-Verband. So far the movement has been somewhat disjointed, and lacking in unity. In 1896 there was some discussion of big business federations, covering the west or north of Germany, but nothing has yet resulted. The dairies, it should be remembered, stand on the market as producers. So far from being like the supply societies challenged by an industrial Kartel to form a defensive federation, they are themselves in structure potential agricultural Kartels, and it is not necessary to wish that they should realise this potentiality.

(ii.) *Co-operative vintries*¹ occur in each of the wine-growing districts of South-West Germany, the Rhine, the Moselle, the Ahr, and the Neckar, the first society being established at Mayschoos in the Ahrthal in 1868. It is reckoned that in 1900 there were 140 co-operative vintries in existence; all these both make and sell the wine from the grapes supplied by individual members, in just the same way as the dairy makes and sells the butter from its members' milk. The method of sale varies. In Wurtemberg the wine is sold to wine merchants at public auctions, as soon as possible after manufacture. But in other districts, as in the Ahrthal, the boycotts of wine merchants have led the societies to sell direct to big wine retailers or even to open in their own name wine restaurants in the towns. The different districts have their provincial federations, which occasionally act as central selling depôts. As most of the societies produce expensive wines and the co-operative stores demand cheap wines, trade relations here have been but little developed.

(iii.) The corn-selling societies and certain of the "sonstige Genossenschaften" or "other societies" are Germany's peculiar contribution to agricultural co-operation. Here the line between the co-operative federation and the Kartel is very thin indeed. The structure is sometimes identical. It is the spirit in which under good influence

¹ Cf. A. Berget, "La Co-opération dans la viticulture Européenne," pp. 104-212.

these societies are actually managed rather than the attitude into which their structure forces them, that keeps them rightly ranked as co-operative.

"Corn" must be understood to include rye (*Roggen*) and wheat (*Weizen*).

While the credit bank and the supply society are the true children of one mother, co-operation, the corn society is rather a big cousin, resembling them in exterior, but with alien blood in its veins. Towards 1890 German corn growers began to feel that wave of depression, which swept England ten years earlier, and in 1889 Grass (*Klanin*), with his lieutenant Mendel (*Steinfels*), told the farmers that they must imitate America, their great rival, by superior methods of marketing. They must sell their corn through great central "*Lager-Häuser*" (corn elevators) or "*Silos*" (corn caves). In America the elevators are either owned by a single private firm or by a joint-stock company, chiefly composed of farmers. But Grass preached to agriculturists already impregnated with the co-operative idea or at any rate cognisant of its success around them. The corn societies therefore took the co-operative form. This much was settled. But two further problems arose.

Granted the necessity of the corn houses, who was to build them? The State did not want private firms to do this, and it did not think the farmers themselves were rich enough; it therefore itself loaned and gave to farmers, provided they were associated in the co-operative form. In 1896 Prussia lent 5,000,000 marks, but gave little outright; Bavaria, on the other hand, gave largely. Wurtemberg and Saxony did something in both ways. It would appear, however, that the Government acted too lavishly, so that many of the corn houses were built on too large a scale and equipped with machinery which the farmers did not understand how to use. The Prussian "Corn House Commission," appointed to enquire into the results of the Five Million Loan fund, reported in 1904 that of thirty-six corn houses thus erected, eight had been re-let after sale of the apparatus and eight (seven in Pommern) stood empty.¹

¹ Quoted 1905, *Jahrbuch des All. Verb.*, Dr. Krüger, Report cit., p. 8.

Further, what was to be the attitude of the existing organisations to the new development? The Raiffeisen union almost at once, and the Haas union in 1895, approved the idea of corn houses and co-operative sale.

The corn-selling is worked either (a) as a wing of an existing society, or (b) through a new society altogether.

(a) Under the Raiffeisen organisation, the credit societies themselves sell the corn, sometimes combining in the ownership of a corn house. The independent Bavarian Agricultural Union has also worked the sale of corn through the credit organisation. Up to 1899 its provincial *Verbände* negotiated the sales. Since 1899 the Central-Kassen have taken this over as a special department. Bavaria has also set the example, which is now being followed elsewhere, of combining several credit societies for the purpose of owning and working a corn house. This especially suits districts of small farmers. Under the Haas organisation, the sale of corn has been added frequently to supply, the society calling itself a "Bezugs-und-Absatz Genossenschaft" (Supply and Sale Society).

(b) Where large farms predominate and other co-operative societies are undeveloped—as was the case especially in the corn-growing provinces in West and East Germany—special corn societies, sometimes affiliated to the Raiffeisen or Haas organisations, sometimes independent, have arisen. Even in South-West Germany, independent societies are being created. But whereas in the South-West the societies sell through a central *depôt*, in the North-East they sell for themselves at their own risk. In Pommern, Stettin is a kind of head society, which dispenses the State loans, lets the Corn Houses, and conducts loaning operations on the stored corn. There are thirteen districts, each with a corn house and separate society. The societies have agreed not to sell in each other's districts, and to export their surplus corn in conjunction through the Stettin society. This is in structure purely and simply a "Gebiets-Kartel" (territory-kartel).

The corn society might grind its own flour as a milling society. It might go a step further and bake its own flour,

as a mill-bakery society. Then the farmer would avoid all middlemen and deal directly with the consumer. But experience shews that the miller or baker is not that unnecessary kind of middleman, which the supply society tries to eliminate. Exceptions are only apparent. In 1882 a co-operative milling society was established, but its main object was to supply cheap flour for the farmer members. So too with other mill-bakery societies. The Barenbecke (Saxony) society (1899), which owns a corn house, mill and bakery, is composed of consumer members from the neighbouring towns. Sometimes mills or bakeries or both have been attached to dairies, but again their object is foodstuff for the cows and flour for the farmers.

From this it is clear that there is no sign of combination in the direction of integration of processes. On the other hand, while there is no national combination for the sale of corn, there are provincial developments which may culminate in a national federation.

1895 may be given as the year in which the corn society emerged. From this year roughly date similar developments in the co-operative treatment of potatoes and sugar. In sugar, however, the development is so scant that it may be omitted.

Potato Spirit Societies. The chief potato-growing district is along the Oder, particularly the right bank. Here the potatoes could not be sold in the neighbourhood; being exceedingly cheap in proportion to their bulk, they could not easily bear heavy transport rates; therefore they are grown almost purely for the spirit, which can be distilled from them, and in this concentrated and more valuable form conveyed to consumers. In this process is an obvious field for co-operative organisation.

The spirit societies are of two kinds:—(1) “*Brennereien*” (distilleries). The members are small farmers, who bring potatoes to the co-operative distillery in the same way as they might bring milk to a co-operative dairy. But as small farming is rare east of the Elbe, these societies are rare also. (2) “*Spiritus-Verwertungs-Genossenschaften*” (spirit storing societies). The members are large farmers,

who have their own distilleries. Such societies are exactly like corn societies. They have a common storehouse, they raise loans on stored spirits, and as a matter of history they were advocated pre-eminently by Grass-Klanin. In 1899, the distillers of Germany as a whole formed a selling syndicate, with a central sale office at Berlin. To this syndicate belong both independent and co-operating brewers, though the latter were the most active in its formation.

Potato-distilling therefore is at present thus organised : at the base stands the big farmer, owning a private distillery, or the society of small farmers, owning a co-operative distillery between them. Some big farmers sell privately, others together with the co-operative distilleries through a sale society. Both big private sellers and members of the sale society are members of the national syndicate. Now in the co-operative distillery the environment is the same as in the credit bank or supply society, which are unions of small men aiming to stand level with the single big one. If the unions of small men were the sole members of the sale society, then the environment in the federal stage would still be the same; but they are not the sole, not even the important, members. For in this branch of agriculture the large farmer effectively maintains his own. In the syndicate, the co-operative element is thinner still. There is no question here of a co-operative edifice, built on a co-operative base. The effectiveness of the syndicate depends on all being drawn in to form a ring of precisely the same kind as that formed by the makers of Thomasphosphat, which challenged the co-operative supply societies into forming a national supply union. In so far as the approving support of the Raiffeisen and Haas organisations maintains the footing of the small farmer, co-operation in its original significance is at work. In so far as the big farmer is predominant, the structure is no doubt co-operative, but the atmosphere is changed. Of course, the small farmer is not in the remotest sense the "moral" superior of the big. But between the small farmer, striving to present an effective front on the market, and the big farmer, with a sprinkling

of small associates, bent on ruling the market, there is a real, though indefinite, line of division.

With hops, tobacco, vegetables, fruit, eggs and poultry, essentially the products of small farmers, co-operative marketing is in an early and sporadic stage.

One final department deserves notice, namely co-operative cattle societies. These are either concerned with live-stock—the breeding and sale of live cattle—or with dead meat—slaughtering and sale to butchers. They are few in number, but in 1899 another national selling syndicate appeared in the ranks of co-operation, in the establishment of the Berlin “Central Genossenschaft für Vieh-Verwertung.”¹

To resume, the earliest and most thorough successes of German agricultural co-operation are found in the preliminary productive processes of credit and supply. In later times (1895 is the landmark) co-operation came to be applied to every department of agriculture, with varying success. As in other lands, the small farmers have achieved most success with co-operative vintries and dairies; while, as for the other products of the small farm, they are only occasionally and in loose fashion handled co-operatively whether through the co-operative credit bank or the supply society. It was in particular the big farmer, who about 1895 awoke to the fact that co-operation was a useful and suitable form of organisation. Under his influence some parts of the co-operative movement are tending to settle down into self-contained business departments, more consciously interested in joint marketing action with non-co-operators than in the pursuit of a common co-operative ideal. In these newer growths, however, both the Raiffeisen and Haas unions have been real and not nominal foster-parents; so that under the present Imperial Union, of which the Raiffeisen societies are now also members,² practically the whole of German agricultural co-operation is ranged, an army of heterogeneous squadrons at different stages of advance over different routes, breathing a various and changing atmosphere, the newer recruits handling the

¹ *I.e.*, “Central Co-operative Society for the sale of cattle.”

² *Cf.* above, p. 54.

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hitherto foreign weapons of the syndicate and the Kartel, yet at the same time professing allegiance to that same gospel which less than fifty years ago uttered its promise of rescue to the usury-ridden peasants of a lonely village by the Rhine.

STATISTICS FOR 1906¹

<i>Nature of societies.</i>						<i>No. of societies</i>	<i>No. of members</i>
I.	Separate supply societies	-	-	-	-	1,702	141,804
	Machine owning societies	-	-	-	-	280	6,423
II.	Productive societies	-	-	-	-	3,264	239,729
	of which—						
	Dairies	-	-	-	-	2,826	218,999
	Vintries	-	-	-	-	159	2,615
III.	"Magazine" societies, <i>i.e.</i> , in particular corn and spirit societies, which have special warehouses					255	33,885

(B).—DENMARK.

In Denmark there is only one big town, the capital and port of Copenhagen. The rest of the country is agricultural. Agriculture is highly developed, and, outside the small islands, the soil is largely owned by small farmers cultivating say twenty to seventy acres: from which two facts it follows almost as a corollary that Denmark is a network of co-operation. It is also incidentally a network of telephones, of which there is one in nearly every fair-sized farm, and upon all co-operative premises.² Education general and technical, homogeneity of interest, occupying ownership, production for export in bulk, are the causes underlying the aptitude of the Danes for co-operation.

Historically the immediate occasion of co-operation was the loss of Schleswig-Holstein in the German war of 1864, which stirred the survivors to strengthen and protect their wounded country by proficiency in the arts of peace.

¹ Cf. Jahr- und Adressbuch der Erwerbs- und Wirtschafts-genossenschaften im Deutschen Reiche, 1906, p. 375.

² The significance of this is singularly well appreciated in the Minutes of Evidence before the Small Holdings Committee in Great Britain (Qs. 5607, sqq.).

“The first co-operative store was started in Thisted in Jutland in 1866. . . The first co-operative dairy was erected in 1882 in the West of Jutland. . . The first co-operative bacon factory was built in Horsens, Jutland, in 1887. . . The co-operative Danish farmers’ egg export society was started in 1895.”¹ The first local fruit society had just been opened in Odense (Fünen) when I visited the town in September, 1906.

The peculiarity of Danish co-operation is its natural and easy growth, and the absence of any centralised driving force, such as exists in Germany, (hence perhaps the lack of co-operative “literature” in Denmark). This accounts in a measure for the peculiar relations between the different departments of co-operation. There is no business inter-connection, and practically no connection for propaganda. If the Dane wants to buy or sell a commodity, he seems instinctively to form a society for the purpose. On the one hand, the split configuration of the land (comprising the promontory of Jutland, two big islands, Fünen and Zealand, and many small ones), on the other hand the absence of a possibly hostile industrial interest, have combined to encourage this separateness of structure.

*Supply.*² There is one big supply organisation, “The United Co-operative Supply Association,” comprising 800 societies, of which one is to be found in nearly every Danish village. These are country stores, which sell provisions and general household requirements as well as raw materials. They own a big wholesale house in Kopenhagen, very like the Manchester Wholesale. There is also the Farmers’ Co-operative Purchase Federation, comprising 4,000 farmers, who on ready money terms buy feeding stuffs, seeds and manures, and sell butter, eggs and garden produce through a single depôt in Kopenhagen. Naturally enough, most of the members live in Zealand. There are also six feeding stuff associations, with a membership of 600 co-operative

¹ Mr. P. Blem, M.P., of Denmark, Speech to Suffolk County Council, 14th June, 1901.

² The figures in this and following sections are for 1902, as given by the Irish Report on Co-operative Agriculture in Denmark, 1903. For 1906 figures, see end of section.

dairies; also four manure associations, whose members are either general agricultural societies, co-operative dairies, or individual farmers; also nine federations of seed purchase societies; also one creamery-requirement association, comprising 362 co-operative dairies, with a dépôt at Copenhagen. With the exception, perhaps, of the United Supply Association, these societies are rarely rivals in each other's districts for the supply of the same commodity.

Production. Cattle raising is pre-eminently the occupation which suits the land of Denmark. Hence the three main departments of productive co-operation are:—

I.—*Dairies.* There are 1,046 co-operative dairies, accounting for 80 per cent. of the butter output of Denmark. Of other dairies there are 185 owned by companies, and 70 private ones owned by the big landed proprietors, especially in the smaller islands; these latter have large herds of their own, but take in and market their small neighbours' milk under certain conditions. There are two societies, one co-operative, the other non-co-operative, for the supply of pure milk to the town of Copenhagen. The butter thus produced is marketed, partly direct by the separate dairies, partly by nine butter export federations or agencies, of which the most important is the "Farmers of Denmark Butter Export Association." In addition practically every dairy is a member of the Central Trade Mark Association.

II.—*Bacon Curing Societies.* There are 27 in all and their number is necessarily limited, because bacon curing is a business which is most efficiently conducted on a large scale, with expensive equipment. Some part of the selling is done through the Federation at Copenhagen. 66 per cent. of the whole output comes through co-operative factories.

III.—*Egg Societies.* There are 400 special societies organised under the central Dansk-Andels-Aeg-Export Society in Copenhagen. In addition, five bacon curing societies and the nine co-operative butter federations collect eggs from their members. Despite this, it is estimated that three-quarters of the eggs produced are sold through private merchants.

Over and above these purely business associations there are a vast number of non-co-operative (in the sense of non-trading) associations, which foster the movement generally.

These may be ranged under two heads :—

I.—Special intelligence departments attached to specific branches of co-operation. The dairies have no less than seven such. (1) A Dairy Managers' Association, for the comparison of methods of management; (2) a Dairy Members' Association, for the comparison of returns, mutual assistance in "Kontrol" or inspection, and the introduction of improvements recommended by the sale federations; (3) a Society for the encouragement of cheese production; (4) and (5) a Friendly Society and an Accident Insurance Society, for the dairy employees, under the control of the Managers' Association; (6) a Statistics Association, for the estimation of costs of production; (7) and most important, a Wholesale Butter Quotation Committee, whose work is to find out what price English butter merchants are offering and to publish a price-list based on this; of course the societies try to get a bigger price if they can. In connection therewith the Statistics Association (above-mentioned 6), of which about one half of the co-operative dairies are members, publishes weekly rates from the different dairies in the country with a view to "keeping the Danish quotation on as high a competitive level as possible as compared with the produce of other countries." In addition to all this, the Government has a laboratory, in which it holds optional surprise competitions, open to all butter makers whether co-operative or not. The Haas dairies in Germany have recently imitated the Danish surprise competitions.

The Bacon Federation acts as an intelligence department for the bacon factories. Its special functions are to keep a bacon quotation, to obviate the strikes of employees, and to act as agents for the insurance of the bacon exports with outside insurance companies.

II.—Societies interested in the improvement of agriculture generally and live-stock in particular :—(1) There are the quasi-official farmers' clubs. The whole country is mapped out into 107 districts, each with a club, which conducts prize

shows, excursions, experiments in breeding and crops. A few of these supply agricultural requisites for their members, like the "landwirtschaftliche Vereine" in the early days of German co-operation. There are also poultry, bee-keeping and home industry societies, for improvements in these special departments. (2) There are societies connected with live-stock:—Horse breeding societies, conducting a stud farm (214 in 1902); similar cattle breeding societies (329 in 1899), and cattle "Kontrol" societies, which help the farmers to keep proper descriptions of their cattle (262 in 1902). Finally there are about 20 live-stock insurance societies, four of which are confined to stallions. These are organised on the principle of "mutualité," and they will not be examined subsequently as they fall outside co-operation proper.

It is noteworthy that while other countries have similar general organisations, Denmark is far ahead in its special intelligence departments. At the crown of the co-operative movement proper is a general co-operative union. It is only a few years old. It publishes a paper and holds a congress. It owns a small room and one lady secretary. This perhaps is the most striking comment possible on the development of Danish co-operation.

STATISTICS FOR 1906.¹

SUPPLY.

	<i>Membership.</i>	
United Co-operative Supply Association	-	1029

PRODUCTION.

	<i>Membership.</i>		<i>Trade.</i>
	<i>(societies)</i>	<i>(indivs.)</i>	
I. Dairies - - -	1076	157,537	£9,444,444 of butter.
II. Bacon curing societies -	33	91,000	£3,606,705
III. Egg societies - - -	500	—	£244,098

¹ Report on Denmark by Mr. M. R. Blem to International Co-operative Alliance, 1907, Cremona.

(C).—SWITZERLAND.

In certain fundamental respects, Switzerland resembles Denmark. It is a small country : the average agricultural holding is only 5-7 hectares : and it is reckoned that 99 per cent. of the agricultural co-operative societies' members are small peasants, mostly owners of their land.¹ Its agriculture is mainly "small" agriculture, dairying, wine-growing, and cattle raising : and according to the census of 1888, nine-elevenths of the cattle were held by owners of from one to ten head. However, the commune in Switzerland seems to play a more important rôle than the parish unit in Denmark ; and moreover, agriculture is not the only big interest in the country, the relation to industry resembling that in Ireland. Agriculture is the most important interest in the majority of cantons, but the plain land in the north, the "Ulster of Switzerland," contains the majority of wealth and population.

Swiss co-operation, like Danish and unlike Irish, is the unaided democratic achievement of the peasants themselves, their successful reply to the industrial advance which about 1870 threatened to make agriculture a poor and parasitic second. Exactly the same forms of co-operation occur as in Denmark ; first and most numerous, 1,536 butter and cheese societies, predominantly the latter ; and akin to these in structure, 49 co-operative distilleries—like the "Brennereien" of Germany—and 15 co-operative milling societies ("minoteries"). The figures are for 1903.²

Of all these societies, however, there is practically no published information, governmental or private. There are no dairy export federations, the butter and cheese being consumed largely in Switzerland or sent to a large number of different foreign towns. When I was in Switzerland in 1906, a dairy union in Mid-Switzerland was in course of formation.

There were also in 1903 eighty co-operative societies for the common use of machinery. A curious type sometimes occurs in North-East Switzerland. A number of peasants,

¹ Cf. Schweizerischer Genossenschafts-Kalender 1906, p. 41.

² Quoted in Almanack de la co-opération, 1906 (Paris).

banded in a co-operative society, buy threshing machines, etc., and traverse the country at harvest time, hiring themselves out to different farmers.

There were in 1905, 460 co-operative cattle breeding societies, which are of two classes, "Braun-Vieh" and "Fleck-Vieh"¹ breeding societies. They are organised in separate unions, two unions to each class. Considerable rivalry exists between the different classes. The object of the societies is chiefly to keep breeding bulls in the service of members' cows, and also to assist in buying and selling cattle. In 1897 the first of the annual markets for breeding cattle was held at Zug. The Federal Government, the cantons, individual farmers, informal clubs, and the co-operative societies contribute funds, which are distributed as prizes to the best exhibitors.²

It is, however, in the department of supply that Swiss co-operation is most advanced. Swiss practice in a way reverses Danish. While in Denmark many of the dairies supply their own raw materials, in Switzerland the central supply society, the "Verband-Ost-Schweizerischer-landwirtschaftlicher-Genossenschaften" (Union of East Swiss Agricultural Co-operative Societies), prepares and markets abroad the wine and fruit produced by its members. This union, with its headquarters at Winterthur (Canton Zurich), counting in 1906 143 societies with 10,175 members and a turnover of $4\frac{3}{4}$ million francs, is the pioneer of Swiss agricultural co-operation. It confines itself to German Switzerland and makes no effort to advance into the French or Italian sections. There were, however, nearly 400 isolated supply societies in 1903 outside the East Swiss Union.

³About the middle of the seventies certain of the keenest Swiss agriculturists seemed to be coming to the conviction that agriculture, under the teaching of the German Liebig and others, was a science, that the purchase of the materials of agriculture must be conducted on scientific lines, and that

¹ I.e., "Brown Cattle" and "Spotted Cattle."

² Schw. Gen.-Kalender, 1905, p. 84.

³ Cf. Dr. Hans Müller, *Die schweiz. Konsumgenossenschaften*, pp. 282-91, 374-95.

these lines must be co-operative. The early efforts of the Swiss recall closely German experience. First came the "Kontrolle" or test stations with their lesson that they were effective in proportion as they were utilised by organisations of purchasers. Then the "landwirtschaftliche Vereine," or general agricultural societies, began to act as informal supply agents for their members. Finally in 1879 the "landwirtschaftliche Verein" of Zurich appointed an expert business committee *ad hoc*. Then in 1882 was founded a similar organisation in the "landwirtschaftliche Bezirk" (rural district) of Winterthur, the members being the different general societies in the district. The union was at first a loose constitution, the members so to speak having one leg in and the other out. This business arrangement involved too great a risk for the central organisation; and therefore in 1886 the "Verband-Ost-Schweiz.-landw.-Genossenschaften" was formed under the leadership of Herr Schenkel, the local "Vereine" (personal unions) converting themselves into local "Genossenschaften" (formal co-operative societies) with unlimited liability.

In 1887 there were 27 society members: in 1905, 143. The increase has been singularly steady and uninterrupted, five to ten additions each year, minus one or two dissolutions of hastily formed societies. The trade per individual member has risen with almost equal steadiness, from 200 francs in 1887 to 468 in 1905.

The business of the central society is in two departments: "landwirtschaftliche-Abteilung" (agricultural department—seeds, manure, cattle food)—and "Konsumabteilung" (store department). In the first department the Union acts as agent between the big wholesale dealers and the separate societies, invoicing and negotiating the payment of the supplies, which are sent direct from the dealer to the local society. The second department is for general provisions and this is the distinctive feature of the Union. It comes as a great surprise to the investigator to stumble on their big wholesale warehouse adjoining the Winterthur railway station—stocked with groceries, draperies, clothing (especially from Lancashire), ironware, machinery, and

household utensils of every description. For the first four years (1886-90) the Union dealt in raw supplies only. The opening of the second department in 1890 caused considerable friction and certain of the more timid societies withdrew. But on the other hand the Dubendorfer Society, a store chiefly composed of peasants and previously attached to the Basel Union of town stores, came in and became a model for future societies. The distinction between the two departments is losing its importance, since societies which begin by confining themselves to agricultural supply almost invariably end by becoming full members and opening a local store. In 1901, out of 123 societies, 24 only—and those small societies with less than a hundred members each—confined themselves to raw materials. Since the Union has taken to refining its own seeds and stocking agricultural machinery, the departmental division is principally one of business convenience.

Practically, in the agricultural east, the Winterthur Ost-Schweiz.-Verband holds the position which the Basel Union of town stores holds in the industrial west and centre. But it is noteworthy that, while the town stores took twenty or thirty years to develop into a central union, the Ost-Schweiz.-Verband found its full organisation after four years' experience (1882-86). It is possible that the strong parish feeling in the country districts contributed towards this solidarity. As the Swiss themselves put it:—The East Swiss Union is a "Bundes-Staat": the Basel Union a "Staaten-Bund." In the former the central society came first, and could therefore admit new members on its own terms. Hence the tight rein which it exercises over them by its regulations as to the disposal of funds, and its rule (upon which it strictly insists by fine and expulsion) that societies shall do the whole of their purchases through itself.

This solidarity was well illustrated in the years 1900-03, when the Union, in order to fight the German combination of Thomas-phosphate manufacturers, deliberately induced the societies to use other less suitable substitutes as a means to wresting more favourable terms. In this fight it was successful. In 1900, 158 truck loads were used: in 1901, 102:

in 1902, 52: and in 1903, when the fight was won, 150, increased to 170 in 1904. Switzerland's geographical position, within reach of several countries, gave the Union an easy appeal from one country to another.

Up to 1902, the East Swiss Union was enrolled as a member of the Basel Union, but in that year withdrew its membership, on the ground that the town stores were poaching on its territory and pursuing a generally hostile policy. This rift has widened, and, I was told at Winterthur, will continue widening. The main quarrel is concerning the distribution of taxation and the tariff policy of the Government, the town stores being free traders, the country stores, with an eye to keeping up the price of agricultural produce, especially meat, protectionists.

Organised primarily for supply, and predominantly for general supply, the East Swiss Union nevertheless watches over the interests of its members as producers. For example, the members of the local dairy societies are also for the great part members of the stores and in a few cases dairies are run as branches of the stores, the butter being consumed partly by the stores themselves and partly by the local population. In two branches—wine and fruits—the Union acts as a central sale *depôt*, distributing only a portion of this produce to its own members again. The wine is prepared in the Union's own cellars, the trade having increased from 1,200 hectolitres in 1901 to 4,000 hectolitres in 1905. It makes a speciality of what it calls "unadulterated home wine." In 1902, 31 societies were sending fruit and the number is now still about the same.

Swiss agriculture, it may fairly be said, is saturated with co-operation. It is, however, unequally developed territorially. In the district surrounding Winterthur, it is all-powerful, having in some villages completely ousted the local traders. The manager at Winterthur gave it to me as an estimate that if the whole of the rural supply business of German Switzerland were conducted through their Union, their turnover would be twenty times as great. The distinguishing notes of this organisation are its unaided self-dependence and its courage in treading new paths. In the

neighbouring village of Birseck, co-operation, under its local leader, Stephen Geschwind, is king, the village being completely under the control of the store, which in 1898 went so far as to equip the parish with electricity.

(D)—THE UNITED KINGDOM.

(a)—IRELAND.¹

Irish farmers have had to be coaxed into co-operation. The earlier co-operative efforts were directed without much success to town stores, but in 1888 Sir Horace Plunkett and Mr. J. C. Gray (general secretary of the English Co-operative Union), impressed by Danish experience, turned their attention to the land, establishing the first co-operative dairy in 1889. Ireland is peculiarly like Denmark. It is chiefly (though not exclusively) an agricultural country : and its soil and climate are more suited to cattle raising and dairy farming than to crop growing. Its chief market is an export market, namely England. The occupiers of the soil are mostly small farmers, and under the recent Land Legislation are becoming in increasing numbers peasant proprietors. But in two important respects, Ireland has been behind Denmark : in co-operative "character" and in technical education.

The pioneers had, therefore, first of all to create a co-operative character. They had to turn the Irishman's natural fondness for union and "society" away from the public-house, which organised him in barren strife of politics and religion, to the co-operative society, which could really better his agricultural and social standing. The Irishman, like his Anglo-Saxon brother, began by suspecting that the pioneers were trying to make something out of him ; when convinced of their sincerity, he became sentimentally enthusiastic and his sentiment had to be hardened into a business-like stability. Above all, it was necessary to fight against his fatalism, that feeling of despair, the heritage of an unhappy past, which makes Irishmen as inefficient in

¹ Cf. Horace Plunkett, *Ireland in the New Century*.

the "ould counthry" as they are efficient abroad, that belief in a luck which, if one credits the Irishman, has always been uniformly perverse and unfriendly.

Such material could only be wrought into shape by an educated enthusiasm operating from above. At first the pioneers were organised as an Irish section of the English Co-operative Union, but in 1894 the Irish Agricultural Organisation Society was established in Dublin as an independent body. For fourteen years it has laboured with success, receiving, like no other voluntary organisation in Ireland, the support of Protestants and Catholics, of Nationalists and Orangemen. At the outset a self-constituted body of propagandists, it has slowly transformed itself into the executive of a democratic parliament of affiliated societies. The future position of the I.A.O.S. is uncertain. Up to the present, it has been supported mainly by the generosity of patrons, who have not unnaturally wished to shape its policy on their own lines. If these lines are rejected, the support may be withdrawn; in which case it must either collapse, or become self-supporting. If the societies are sufficiently solid, the latter alternative may be realised; and the I.A.O.S. may become, like the Danish Co-operative Union, a literary and educational wing of the movement, not its directing head. Having regard, however, to the present unequal development of the movement and the peculiar relations existing between itself and the State, its leaders may reasonably feel that complete self-government in the immediate present would involve a serious risk of general collapse—at any rate outside the one branch of dairying.

The work of technical education has been undertaken by the State through the "Department of Agriculture and Technical Instruction" established in 1899. The Department assists agriculture directly by shows, exhibitions and experiments, indirectly by agricultural instruction, theoretical and practical. The relations between the Department and the I.A.O.S. are "unwritten"; but broadly speaking, the Government uses the organisation, its meetings, experimental stations and experts, as a main channel for its own work, Sir Horace Plunkett, the co-operative

pioneer, having as vice-president conducted the Department up to the spring of 1907. It also makes advances to the rural credit banks and contributes toward the initial expenses of some of the weaker productive societies.

The three main departments of co-operation in order of importance are (1) dairies, (2) supply societies, (3) egg and poultry societies. There are a few flax societies in the north; and scattered over the country, associations for bee-keeping and home industries, which are "improvement" rather than trading societies.

The statistics for 1906 are as follows :—¹

	<i>No. of societies.</i>	<i>No. of members.</i>	<i>Turnover in £</i>
Dairies (called creameries) -	270 }	45,201	1,507,040
Auxiliaries separately registered -	13 }		
Auxiliaries not „ „	57	—	—
Supply (called agricultural) societies	159	13,063	73,175
Poultry societies - - - -	29	458	1,427
Bacon curing societies (est. 1905) -	2	3,500	—

It is thus seen that the dairies are the most numerous. They are also the most successful. A writer in the *Quarterly Journal of Economics* (August, 1906,)² remarks that the Irish have been most successful in supply and egg selling societies. This comes from an outside knowledge of pamphlet literature. The dairies, being strong and successful, can be rebuked for their shortcomings; the other societies, being young and tender, need leniency and encouragement. It is indeed doubtful whether these societies could stand without the support of the I.A.O.S.

The stage of business federation has been partially reached.

The dairy federation markets one-sixth of the total output of the societies, which was in 1904 £1,089,620. It has its headquarters at Limerick and about a dozen depôts in Great Britain. For some years after its foundation in 1893, it was in straits owing to lack of consistent support from the dairies.

¹ I.A.O.S. Report, 1907, p. 48a.

² David A. McCabe, *Recent Growth of Co-operation in Ireland*, pp. 547-74.

The distributive Wholesales of England and Scotland are rival producers, instead of customers, since they have their own creameries in Ireland. The first of these was founded in 1895 at the express invitation of Irish farmers. However, from the point of view of agricultural co-operation, the Wholesales' creameries are proprietary concerns, seeing that the milk suppliers, as such, may not be members.

An egg selling federation was founded in 1905 in Dublin, the central society marketing the eggs on a $2\frac{1}{2}$ per cent. commission, and the constituents being under agreement to transact all their business through it for the first year. Only one egg society (Rathkeale, Limerick) gives separate returns for sales of poultry.

In 1905 a flax selling agency was established at Belfast, but it also has to complain that the flax societies treat it as one of many competitors for their produce, especially for their inferior produce.

The Agricultural Wholesale Supply Society, having in 1906 78 society members and a turnover of £54,093, is not so important a factor in Irish co-operation as it might be. It deals in seeds and manures only. Enniscorthy, Wexford, the biggest supply society, is the only society dealing in machinery and general provisions. The latter extension has met with opposition from the I.A.O.S., which has thought it imprudent to rouse the hostility of shop-keeping interests. The Enniscorthy society is compelled by a boycott of Irish machinery merchants to obtain its machinery from the East of England. Since the weakness of Irish co-operation is lack of self-originated enterprise and fighting confidence, the timid conduct of the I.A.O.S. seems open to criticism.

The Commission of Irish farmers, which visited Denmark in 1903, was specially charged to report on the Danish bacon curing factories in the hopes of imitating them in Ireland. Two attempts are being made in County Tipperary, the obstacle to extension being the open hostility of the bacon merchants. Irish co-operation on the whole is, as far as it goes, a faithful picture of Danish co-operation, though the canvas is but partially filled and the weaker

societies are yet in a state of infancy. Indeed, it is probable that but for the I.A.O.S. Ireland would still be without co-operation.

(b)—GREAT BRITAIN.

Up to eight years ago, British (*i.e.*, excluding Ireland) agricultural co-operation was a mere blank, darkened by a few failures. The land communities of the 30's and 40's were really attempts to establish collective ownership and cultivation of the land, to achieve in fact what continental co-operation, on the whole, has not attempted. So also the philanthropic experiment, started by Mr. Gurdon in 1829 on the Assington farms, Suffolk, though it still exists, has failed in its original purpose; for in 1892 only one of the farm workers was a member of the society, which is practically a joint-stock farming company. The practicable form of co-operation, namely among independent producing farmers, did not appear even when its success had been proved on the Continent, partly because the British farmer was big enough to undertake alone with no small degree of ability the purchase and sale of produce, partly because under British land tenure the landlord supplies some of the capital, for which the co-operative credit bank has been requisitioned on the Continent, but partly also on account of the more than average antipathy of the British farmer to association. It is noteworthy that the Richmond Commission¹ on Agricultural Depression (1882) suggests as a remedy for the adulteration of raw supplies county analysts and compulsory detailed descriptions of goods by the makers, but nothing in the nature of association for co-operative supply. A few co-operative societies were in existence before 1900.² But in that year the British Agricultural Organisation Society was established and amalgamated in 1901 with the National Agricultural Union to form a new society, the Agricultural Organisation Society (A.O.S.), after the model of the I.A.O.S.: in 1905 a

¹ C. — 3309 I. Report, p. 30.

² A.O.S. Report, 1906, p. 13.

separate society was formed for Scotland. Since 1900, the progress has been at least as speedy as in the early years of the continental movements.

¹		1900		1906		1907
Societies	- -	12	-	134	-	142
Membership	-	517	-	7,439	-	9,000
Trade	- - -	£9,467	-	£221,524	-	£350,000

100 of the societies are supply societies, 13 dairies, and 11 credit banks. In 1905 a wholesale supply agency was created under the title of the "Agricultural Co-operative Federation."

There are co-operative associations in over 40 counties, though South Wales, Gloucestershire, Sussex and Yorkshire are the thickest districts. In South Wales the farmers are mostly small men, but in Gloucestershire, Sussex, and the North and East Ridings of Yorkshire the holdings are slightly above, and in the West Riding of Yorkshire slightly below, the average for the whole of England.

Although the movement received no State help at the outset, on the scale that was provided in Ireland by the Department of Agriculture, it is now being utilised by the Government, as a channel of agricultural reform, especially with a view to the development of small holdings. The Report² of the Departmental Committee of the Board of Agriculture on Small Holdings recommends finally: "V. (a) That practical steps be taken by Government to promote all forms of agricultural co-operation, and especially to encourage the formation of Agricultural Credit Societies by means of State loans, on the approved security of a central co-operative agricultural credit association; (b) That an annual grant be made to the Agricultural Organisation Society by the Board of Agriculture and Fisheries, under such limitations as the Board may think desirable."³

¹ A.O.S. Report, 1906, pp. 14-15.

A.O.S. Report, 1907, pp. 2-3.

² See [Cd. 3277] §§113-4; also Supplementary Report by Sir F. Channing, §§10-15.

³ Ditto, p. 39. A Bill for the provision of co-operative credit was read before the House of Lords, 26 May, 1908.

In accordance with this, the Small Holdings and Allotments Act just passed (7th of Edward VII.) provides (§33) that, “(1) a county council may promote the formation of, and assist, co-operative societies and credit banks, or societies having for their object, or one of their objects, the furtherance of the provision and successful cultivation of small holdings or allotments. . . . (3) Where the Board (of Agriculture) themselves provide small holdings under the provision of this Act, they may, with respect to any co-operative society or credit bank or society carrying on business in the neighbourhood of those small holdings, exercise the powers of a county council under this section. . . .”

The British Government has thus recognised signally the necessity, long appreciated on the Continent, of supplementing by co-operation any scheme of small-scale farming. It is important, however, to distinguish between the forms of co-operation which it is proposed to assist. The “co-operative societies” and “credit banks” are the co-operative agricultural societies and Raiffeisen banks, which we have been examining on the Continent. The societies having for their object the provision and successful cultivation of small holdings and allotments are Small Holdings and Allotments Associations, which have spontaneously grown up in certain parts of Great Britain, especially in Lincoln, Norfolk and the Midlands of England, to carry out reforms of land tenure parallel to those achieved abroad by general central legislation. The bearing of these latter societies on the general problem of British land tenure, we shall note in a subsequent chapter.¹ Here they are important as affording peculiarly favourable, though by no means the only, centres for the ordinary co-operative work of credit, supply and production, which has been developing among British farmers and in particular among small farmers.

Agricultural co-operation in general is so young and changing that it is hard to arrange it in an equal picture;

¹ Part II., Chapter XI.

but this can be drawn as accurately as present conditions permit from the Minutes of Evidence¹ presented to the Departmental Committee above referred to, in the summers of 1905 and 1906.

First we have evidence of the Briton's traditional objection to association and his hard-dying preference for ineffective isolation. Thus in Lincolnshire, "the small holders do not like their neighbours to know what they are getting" (Q 583)—with the result that "the Spalding duckling goes through four middlemen before it reaches the consumer." In Staffordshire "one man on a small farm goes to Stafford to sell ten pounds of butter in his cart, and another man with something else to sell does the same thing, instead of joining together and saving the wear and tear of one cart" (Q 2353). In the Highlands of Scotland "Each man rather delights in making the bargain for himself at home." In the Lincolnshire and Norfolk districts, "Many small holders took land with insufficient capital, and borrowed from their friends, or muddled along as well as they could, until they could pull themselves round by the help of a little profit" (Q 2837).

Then we have evidence of the change which is being effected under the auspices of the A.O.S. with the support, as so often in Ireland and the Continent, of the local clergy. Thus in the answer of the Vicar of Botley, Hampshire—"Was this bank started by the A.O.S. or by yourselves?—It was under their auspices; we got the idea from them. One man in the place came to me about it, and I got two or three friends interested in the matter, and we started the bank" (Q 6108). The A.O.S. has to combat the hostility, not of an efficient alternative, but of ignorance. Thus, "In the districts of Aberdeenshire, Kincardineshire and Forfarshire, they do not believe in it?—They may be ignorant of the advantages and they may not know what they are talking about" (Q 4891). "I suppose that is the reason?—Yes" (Q 4892). From Wales comes a witness who is himself a disbeliever: "It is well known to those who know the

¹ [Cd. 3278].

Welsh character that it does not respond to co-operation " (Q 8424). Confronted with statistics, the 32 young co-operative societies in Wales, he replies: " I did not know the number, but I knew several had been started " (Q 8404). Confronted with argument: " If you find the large farmers doing well through co-operation or combined action, and the small farmers not doing so well through the lack of co-operative effort, would it not be an advantage to extend the benefit to the latter class?" he replies: " Yes, if you consider co-operation the only remedy, which I do not " (Q 8420). The alternative remedy is conspicuous by its absence—perhaps it would turn out to be drastic dealing with the farmers' scape-goat, the British railway companies.

Objections of this and of a similar order the A.O.S. is wearing down, until increasing numbers of farmers are coming to echo the sentiments of Botley: " Throughout the whole district there is a growing feeling about co-operation for selling, because the middleman especially at Covent Garden eats up the profits " (Q 6074). One common objection can now be convincingly rebutted; namely that the smallness of the movement—even as compared with Ireland—is a proof of its unsuitableness to the British temperament. Thus: " Do you find a greater faculty for co-operative action in Ireland than in this country?—If you take the history of the Irish movement year by year, and the history of our movement, we are making greater headway. It took Sir Horace Plunkett two years to form one society; we have been in existence a little over four years, and we have 130 societies. I think Sir Horace Plunkett formed only 50 in four years, or something like that " (Q 5723). " You found a greater difficulty in dealing with the farmers in England than in Ireland?—A *less* difficulty " (Q 5724). The point merits emphasis.

With regard to the nature of the co-operation, whereas Ireland, following Denmark, has given the first place to the co-operative production of butter, Great Britain, like Germany, has started in the main with co-operative supply. Thus the chief organiser of the A.O.S.: " All our co-operative societies go in for buying manures and feeding

stuffs " (Q 6814)—the bulking of freights, both of stock and of produce, resulting in many cases in reductions of railway rates of from $17\frac{1}{2}$ to 25 per cent. (Q 6690). While there are at least two important co-operative cheese factories, Gillingham (Dorset) and Scalford, by Melton Mowbray, the chief co-operative "dairying" is the supply of fresh milk for the big towns. Thus the Worcester Vicars' Farm supplies the Midlands with bottled milk, the Eastern Counties Dairy Farmers' Association sells fresh milk in East London, through their own wholesale agency there. It is of course a blot on English dairy farming, that English butter (*e.g.* Westmoreland) should be selling at $7\frac{1}{2}$ d., while Danish butter fetches 1s. to 1s. 2d. (Q 1493). At the same time, one must view with caution the estimate (Q 6743) that British farmers have a margin of displacement of £40,000,000 in dairying and pig breeding—the total of imports from extra-British sources. English farmers are doing wisely in preferring the fresh milk supply to butter making, since for the former object their proximity to the market gives them a greater proportionate advantage. This sensible preference, however, may be temporarily retarding the area of co-operative effort, just in so far as co-operative sale requires greater co-operative adhesion than co-operative production. Thus the dairy farmers of Lancashire have a number of societies for supply, but have done little yet in organising the sale of produce (Qs. 6668, 6672). However, familiarity with co-operative supply is a stepping-stone to co-operative sale. In Essendy, Blairgowrie, Scotland (established 1902), the co-operative sale of fruit exists besides several forms of co-operative supply, not only of agricultural materials, but also of water and buildings (Q 8935); while in the Eastern Counties Supply district the Framlingham (Suffolk) Co-operative Society (incorporated 1903) dealt in 1907 with over 1,500,000 eggs, which it graded and sent to the local and London markets, making 16 per cent. on its share capital, and an estimated surplus value of £1,500 over what would have been obtained, if the prices had been the same as they were when the society started—(Extract from the society's report, 1908). In a word, the English movement seems so

fresh and so capable of expansion, that any estimate of it must take the form of a prophecy; and upon this we may venture in the following terms:—(1) That the co-operative supply society will within the next 50 years become the normal instrument of purchase for many big farmers and for most small farmers; (2) 'that the co-operative sale, particularly of milk and market garden produce, will follow in its train, less easily, but with even bigger material advantage to the farmer; (3) that under congenial legislation the distinctly small holder will recover the position from which he has been crowded out in the last century and retain it by the attractive atmosphere, which under the direction of the A.O.S. he has now the means of furnishing for himself and his neighbours.

CHAPTER III.

(A)—FRANCE; (B)—BELGIUM; (C)—ITALY.

(A)—FRANCE.

IN tracing the growth of agricultural co-operation in France, Belgium and Italy—the Latin as opposed to the Teutonic countries of Europe—it is not possible to preserve the same method of description, to confine the attention to co-operative societies as such, and to bring these under one of the three headings of supply, production and sale. It is necessary to go beyond the confines of what in these countries is called “co-operative,” and to bring under examination a new form of association, which, while fulfilling other functions as well, does itself perform certain of the functions which in the northern countries fall to the co-operative society. This association is the agricultural “syndicat.” Originating in France, it has permeated in varying degrees the agricultural organisation of Belgium and Italy. To omit the study of the syndicate in these countries would be to omit nearly the whole of co-operative supply and sale, to miss the connecting link between the farmers and those associations for supply and sale which possess the “co-operative” form, and to neglect the guiding and co-ordinating force which moulds the separate co-operative entities, the credit bank and the productive society. In other words, the syndicate itself conducts the business of supply and sale : in all cases in which an organisation technically co-operative is created for these purposes, the farmers take part in it *via* the syndicate, as members of it. Without the syndicate these societies would not be in existence. The dairies and other productive societies would have existed without the syndicate and were in a few cases previous to it, but their growth has been commensurate with that of the syndicate. The credit banks stand in the same relation to

the syndicates as do the productive societies, with this modification, that in France certain of the credit banks owe their existence to the syndicate and are constitutionally attached to it; this question, however, has been treated in the chapter on co-operative credit.¹

It is necessary, therefore,

(i.) To describe the origin, extent and structure of the syndicates in France;

(ii.) To extract from the list of the syndicate's functions those which are co-operative, and to examine these in conjunction with those annexed societies which are co-operative in form;

(iii.) To examine, as in the north European countries, the ordinary independent co-operative societies, which for France are especially the "fruitière" or "fromagerie" (cheese society), and the dairy, always bearing in mind the general influence exerted over them by the syndicates.

In dealing with the other syndical countries, it will be unnecessary to insist in such detail on the peculiar qualities of the syndicate.

(i.) Legally the syndicate, which is quite different from the German syndicate or Kartel, is "a union between persons exercising the same profession, formed for the defence and advancement of their common interests"²: and its employment in agriculture is one of the curious accidents of history. Soon after 1880 the French farmer began to feel the pinch of the agricultural crisis, into which Europe generally was to be plunged by the rapid changes in the methods of agriculture and by the competition of American produce. The State did what it could by the raising of duties, but a change was wanted from within. The "comices agricoles," the old quasi-official agricultural societies were prepared with academic advice, but not with the enthusiasm requisite to arouse the French peasant out of his supposedly inveterate individualism. Now³ it happened that in 1884 the French Parliament was engaged in passing a law legalising trade

¹ Part I., Chapter IV.

² A. Vanmeersch, *Manual Social*, p. 712.

³ Cf. E. Chevalier, *Paris Exhibition (1900)*, Report, Class 104, pp. 150 sqq.

unions under the heading of professional syndicates formed for the defence of economic interests, "industriels et commerciaux." "Et agricoles," cried a senator from Doubs, who happened to enter during the last sitting. The author of the project accepted the addition, remarking that it had never been his intention to exclude from the benefit of the law "les ouvriers agricoles." For neither the author nor the senator foresaw the use which would be made of this chance addition.

French agriculture literally precipitated itself into this new creation and demanded of it services of a practical order, some of which were essentially co-operative in character, in particular the acquisition of seeds and manures. The syndicate was found to be useful, and that was sufficient to make it popular. Besides, nothing was easier to found than a syndicate, the formalities reduced to a minimum, the expenses nil, the subscription minute, often not exceeding two francs.

By the end of July, 1884, five syndicates were already formed, the first in order of time being that of the "agriculteurs du Loir-et-Cher," which numbers to-day 4,000 members, and which was founded by the departmental professor of agriculture, M. Tanvinay; it developed out of an association formed under a different title in the previous year. The term syndicate was not absolutely unknown in agriculture, since certain vine defence syndicates had been created by law in 1879 to fight the phylloxera, but these never extended their activity to the purchase of supplies. Started in 1884 on their new path, the syndicates spread swiftly over the whole land :—

			<i>Numbers</i>	
			<i>of syndicates.</i>	<i>of members.</i>
In July	1885	there were	39	with —
July	1895	„ „	1,888	„ 403,261
December	1905	„ „	3,116	„ 659,953
December	1906	„ „	3,553	„ 677,150

The growth at present shews no sign of slackening. Between 1900 and 1906 the remaining gaps on the syndical map were filled up, but there is doubtless a continued

increase to be expected through the multiplication of small syndicates within areas loosely covered by large original foundations.

What have been the most important factors in this development? It is impossible to point to single names, such as Raiffeisen and Haas in Germany, Luzzatti and Wollemberg in Italy, or to a single class, such as the Catholic clergy in Belgium. The syndicate includes all who are interested in agriculture, the big landowner, the farmer, the *metayer* tenant, the peasant proprietor and the agricultural labourer, together with the priest, the school-master, and in particular the agricultural professors and experts of the different French departments. It does of course happen that success can be traced to individual names. For example, the Union of the South-East, which is at once the most effective and the densest union, owes much of its success to its director, M. Emile Dupont. The wide basis of the syndicate, which extends to all the functions of the profession of agriculture, has at any rate the advantage of comprehensiveness. While Danish co-operation presents the picture of a robust democracy on a fairly uniform level, French co-operation (and in a measure Irish) presents the rather different picture of a "concordia ordinum," in which the weaker elements are steadily learning to assume their full part.

It is this diversity of aim and membership which explains the unequal size of the syndicate, more particularly at the outset. Not having in view a single object, confined to a single class of agriculturist, as for example, the credit bank after the Raiffeisen model, the syndicate adapted itself easily to its environment, the large farmers generally forming bigger syndicates than the small farmers.

The syndicates are of two kinds, those with a general object (these are the normal type) and those with a special object.

The general syndicate covers one of three areas—(1) the commune or parish, (2) the canton or union of parishes, (3) the department or county. The parish, while it offers the strength of family feeling, is by itself too confined for the

manifold scope of the syndicate. The canton is less open to this objection, though here too there are the possibilities that the field may be too small from which to draw leaders and men of initiative and that local politics may cause dissent. In the departmental unit, where these weaknesses are absent, others take their place: since the members do not know each other personally, enthusiasm is hard to create and the syndicate is apt to become a purely commercial affair.

The law of 1884 permitted the syndicates to federate, but such unions have not a "personalité civile," which means in effect that the union must confine itself to advice and propaganda. Accordingly in 1886 the "Union centrale des syndicats des agriculteurs de France" was established on the initiative of the "Société des agriculteurs de France" (our Royal Agricultural Society), which has from the first favoured the syndical movement; the general object of the Union being "joint action among syndicates united for the study and protection of agricultural economic interests." The Union, which to-day has about 1,200 syndical members, among other things publishes a monthly bulletin and organises every two or three years the national congresses. Its importance is greater than that of the Danish Co-operative Union, but very much less than that of the Irish Agricultural Organisation Society.

At the same time that this Union was founded, the syndicates, especially the communal syndicates, began to unite locally in departmental unions, and these unions formed the starting point of the larger unions, the "unions régionales," which cover France to-day. Many of them still exist within the confines of the larger regional union, for example, in the Sud-Est Union the sub-union, "Union Beaujolaise," groups together syndicates, whose members are wine-growers of Beaujolais, and in the "Union de Bourgogne et Franche-Comté" the "Union des syndicats agricoles du Comtat" groups together a cluster of syndicates, whose members are nearly all occupied with the cultivation of vegetables and fruit.

The "unions régionales" resemble the Provinzial-Verbände of the Haas societies in Germany, with this difference that the "unions régionales" are independent of any higher organisation, membership in the national "Union centrale" being optional and the relations consequently less close. Ten unions were founded between 1888 and 1897, two more having been created since, "l'union de Nord-Est" and "l'union de Perigord et Limousin." The districts of the Ile-de-France, the Plateau Central and part of the region from Toulouse to the Pyrenees are now the only districts without a regional organisation.

In the preface to the second edition of his work, "Les syndicats agricoles et leur œuvre," M. le Comte de Rocquigny notes as the feature of the last six years' growth (1900-1906) the diminishing importance in many places of the original huge syndicates before those of a communal area. For example, the "syndicat central des agriculteurs de France," which is a single big syndicate, founded in 1886 and drawing its members from all parts of France, was especially patronised by farmers in districts where there were no local syndicates, but it is losing its importance now that the communal organisation is becoming general. Many of its members, who are also members of their local syndicates, retain their membership because of the exceptionally cheap transport rates at which the syndicate is able to furnish raw supplies. The syndicate never realised the intention of its founders (la société des Agriculteurs) of acting as a kind of Wholesale to isolated communal syndicates.¹ Again, in the single department of Haute-Saône there are now no less than 275 syndicates. However, certain of the larger syndicates continue to flourish, for example the syndicate of Champagne, which has 3,200 members divided into 150 sections. The largest syndicate in point of numbers is the departmental syndicate of La Sarthe with 24,000 members.

The tendency to the communal area becomes stronger, in proportion as the regional union is sufficiently developed to act as its complement. And indeed the communal syndi-

¹ V^o. C. N. Périgueux, M. de Jaurias, 106.

cate, organised in a regional union and affiliated to the national central union, affords a more solid and durable form of organisation than a big departmental syndicate, which has sometimes disappeared on the loss of a single big member. Moreover, the communal area alone is suited to two of the most important functions of the syndicate, "la mutualité" (mutual insurance of live stock, etc.), and rural credit. The law of 1894, in aid of rural credit, presupposes the communal syndicate.

The special syndicates, which are fewer in number and of less importance, fall under three heads :

(1) Syndicates with a single special object. Such are :— the "Syndicat économique agricole," formed in 1889 by M. Kergall, which watches over the interests of landed property in Parliament in matters concerning agricultural taxation and tariffs, and which fights at all points the socialist campaign on the land; the "Syndicat des bouilleurs de cru et des producteurs d'alcool naturel¹"; the "Syndicat pomologique²," which attends to the improvement of fruit-growing in France generally; and certain syndicates of cattle raisers for the improvement of their breeds.

(2) Syndicates, which are quasi-federations of co-operative dairies or "fruitières," e.g., the "Syndicat des fruitières de Jura," which is composed of seventy-five "fruitières," each having thirty to sixty members. These syndicates are a half-way house to the normal co-operative federation.

(3) Syndicates, in the originally intended sense of the word, for the settlement of relations between employers and agricultural labourers, either "syndicats de patrons," or "syndicats mixtes" or "syndicats d'ouvriers agricoles." The latter are especially developed among the "bûcherons" or forest workers, and the vine workers of the South. In 1904 the latter, two hundred in number, established a "Fédération du midi," which breathes a highly revolutionary spirit. These syndicates are entirely unconnected with trade.

From this review it is clear that the French "syndicat agricole" is a mode of association, which can be applied in

¹ "Syndicate of distillers and makers of natural alcohol."

² "Apple-growing Syndicate."

many ways and spheres to the agricultural profession. It is also clear that one growing type dominates, namely the communal syndicate, organised into regional unions. It is this type of syndicate which in particular enters the domain of co-operation.

(ii.) "The objects of the syndicate are :

"1° To attach the rural populations to their homes and to the soil by using every means in its power to restore the dignity of agriculture and to make it more remunerative.

"2° To act as intermediary for its members in their transactions and to encourage the improvement of tillage and cattle raising.

"3° To proceed with the *collective purchase* of all agricultural products, such as seeds, manures, machinery, etc., under favourable conditions of price and quality.

"4° To fill among its members the rôle of an aid society, to establish among them all kinds of *co-operative* society, mutual assurance or provident society, and other mutual societies which contribute to their moral, intellectual and professional development and to the improvement of their material condition."¹

Co-operation, mutual insurance, professional and social progress are thus the provinces of the syndicate: and of these co-operation is the most important, as it was historically first. "It (the syndicate) began by doing co-operative work: it instituted social activities, and, in this aspect, it is a philanthropic institution, 'de patronage plutôt que de mutualité': finally, it assumed the rôle for which the legislator of 1884 seems to have intended syndicates, namely that of a corporation or association for the protection and study of professional interests. Thus it has ended where it ought to have begun."²

In the first place the syndicate, *qua* syndicate, performs the co-operative functions of supply and sale.

(1) The syndicate acts as agent for the supply of seed, manure, cattle food and agricultural machines. This is the normal and chief business of the agricultural syndicate.

¹ Extract from model statutes of communal syndicates published by the "Union centrale":—"Le syndicat agricole communal" (1907), p. 13.

² Paris Exhibition, Class 104, p. 156.

(2) The syndicate owns and lets out on hire agricultural machines.

(3) The syndicate acts sometimes as agent for the sale of its members' produce.

In the second place, for the same work of supply and sale some syndicates have, attached to themselves or to their unions, separately constituted societies, which are co-operative in form.

The relations between the syndical organisation and the co-operative societies are various :

(1) Certain single syndicates, usually departmental in size, have co-operative societies annexed to them, which supply them with general provisions as well as agricultural materials.

(2) Other such syndicates have a special co-operative society for the sale of produce.

(3) Others again have a "*société mixte*," *i.e.*, a society which buys as well as sells.

(4) But more often these big co-operative societies, usually of the mixed type, are annexed to the regional union of communal syndicates.

In practically all the above cases, the co-operative societies¹ have been founded and are administered by the officers of the syndicate or those of the syndical union. They rarely deal with non-syndicate members.

This type of co-operative society is the latest growth in the syndical movement. Since 1898 no less than seven such have been established, more particularly for the purpose of the co-operative sale of corn.

Just as the syndicates themselves, so also their co-operative offshoots seem gradually converging to a normal type. The goal was clearly pointed out by M. de Jaurias at the national congress of Périgueux in 1905 :—

At the base the communal syndicate : "The ideal thing would be to have communal syndicates only."

By the side of each regional union one co-operative

¹ By the recent law of 29.XII.:06 such societies are entitled at the discretion of the Government to loans free of interest from the "*Caisses régionales*," *cf.* 1^o. C. Reg. Bretagne, p. 80.

society : " The co-operative society is a commercial organ of the syndicates, created for them, and them only. . . . A co-operative supply society should never be created to serve a single syndicate only. In fact, of these two organs, if placed side by side, one is always tempted to absorb, intrude upon, or dominate the other ; with consequent clashes and difficulties in management. Therefore the co-operative society ought to be established in connection with a regional union of syndicates. . . . A union of five or six departments is all that is required."¹

The author adds that he is speaking more particularly of co-operative supply : for the co-operative sale of corn and fruit, it *may* be advisable to create special co-operative societies.

Finally the co-operative societies will serve syndical members only and only members of the syndicate may hold shares in it.

In accordance with these wishes, the Congress passed the following official resolution : " That there be established in connection with each regional union of syndicates a co-operative agricultural supply society charged solely with the effecting of purchases and sales for the account of the syndicates in the union. These co-operative societies ought to be affiliated to the co-operative society attached to the Central Union, in the same way as are all regional unions to the Central Union itself."²

It may well be asked : why all this duplication of machinery ? why not simply the syndicate and the syndical union, corresponding to the co-operative society and the co-operative union of other lands ? The answer is, that the syndicate is legally just not what a co-operative society just is—a trading body ; but by a legal accident the syndicate is the means through which co-operation has been attained. The syndicate set out with the ordinary equipment of the trade union, a thing of "cotisations" or contributions, instead of "parts" or shares. First came agricultural supply. The law was prepared to consider the syndicate

¹ Report of V^e. Congrès national, Périgueux, pp. 105-110.

² Ditto, p. 413. The Agricultural Wholesale attached to the Central Union was established a few years ago.

uncommercial, provided it acted as an intermediary only, without realising profits. Might it keep a shop? It might keep a shop; but not an open shop, *i.e.*, it might not sell to non-members. It might not deal in non-professional commodities—with the result that some syndicates converted themselves bodily into a co-operative society. At present only those members of single big syndicates, which have co-operative societies attached, can obtain general provisions through their syndical organisation. Then came the unions of syndicates. There the law was decisive. The union might engage in no commercial operations whatever. Therefore, wholesale purchase and sale was necessarily conducted through a separate co-operative society. Therefore, also, some of the single big syndicates, to assure themselves of freedom of action, adopted the co-operative form—and thus the relations stand at the present day, the continual subjects of paper controversy, of legal disputations and of theses for the title of doctor. It is hard for the foreign observer not to feel that much of this is an unfortunate waste of time, as well as a hindrance to complete development, in the direction, especially, of the co-operative supply of the necessities of life in addition to the materials of agriculture.

Apologists contend that both forms, the syndicate and the co-operative society, render separate and indispensable services, the syndicate of an “*ordre moral et social*,” the co-operative society of an “*ordre materiel*.” But in the full light of the experience of Northern Europe it is impossible to maintain that the co-operative society pure and simple cannot be the centre of as much “moral” and “social” service as is needful for agriculture and the agriculturist.

(iii.) Co-operative treatment of milk.

In France,¹ as in other countries, milk is the grand object of co-operation. The societies are of one of three kinds according as they are concerned with cheese making, butter making or the sale of milk direct. The different uses of milk are in a measure determined respectively by the percentage of caseine (cheese matter) or butter fat in the milk, or by the proximity to large towns.

¹ *Cf.* V^o.C.N. M. Tardy, pp. 219-251.

(a) Co-operative cheese societies or "fruitières."

These societies, which are very numerous in the East of France, especially in the districts of Doubs and Haute Savoie (353 and 377 in 1897), date back to the fourteenth century. They were first introduced from Switzerland into the Haut-Jura and there are frequent notices of them in subsequent history. They nearly all make Gruyère cheese (so called from its place of origin, Gruyère, a village in Fribourg, Switzerland).

In 1897 the "syndicat des fruitières du Jura" was formed at Saline to inspect and improve the manufacture of cheese. The total number of "fruitières" is probably not above two thousand, the figure estimated by the Comte de Rocquigny in 1896.¹

(b) Co-operative dairies flourish in three regions of France: West—"Les Charentes et la Poitou" (departments of Charente, Charente-Inférieure, Vendée, Deux-Sèvres, Vienne): North—"La Thiérache" (department of Aisne): North-East—"L'Ardenne et l'Argonne" (departments of Meuse, Ardennes, and part of Meurthe-et-Moselle).

The West is the strongest district, counting, in 1904, 98 societies with 50,000 members. The first co-operative dairy in France was founded at Chaillé, a village in this district, as recently as 1887. The creation of the dairies was provoked by the vine crisis, which between 1882 and 1888 destroyed nearly all the vines in the region and ruined the owners. Almost in despair, the wine growers put their lands into grass and took to cow keeping with immediate and astonishing success. In the district round Niort, capital of the Deux-Sèvres, there are co-operative dairies in nearly every commune: these have quite ousted the proprietary dairies, which sprang up about the same time. In Vienne the two forms seem to flourish side by side.

The North-East contains about a dozen societies, also successors to vine-growing. They are constituted as in the West.

The North contains 17 (1904), but these are in some cases semi-co-operative, as a certain quantity of milk is

¹ Malesherbe, *Fruitières Co-opératives*, p. 43.

regularly bought from non-members, and a number of the shareholders are not farmers.

M. Tiéfaine¹ ascribes the comparative backwardness of the North to five causes :

(a) Lack of the spirit of association : the peasant thinks that the dairies are trying to make something out of him. (Cf. Irish experience.)

(b) Largeness of shares—500 francs.

(c) Lack of capital, and, as a result, application to other than milk suppliers.

(d) Lack of winter milk.

(e) Opposition of women, who regard butter marketing as a holiday. (This is no doubt a common cause of opposition in all countries.)

There are two federations, the West, and the North plus North-East :—(1) “ L’association centrale des laiteries co-opératives des Charentes et du Poitou ” (formed in 1893 and reorganised as a syndicate in 1900); (2) “ Le syndicat des laiteries industrielles du Nord, de l’Aisne et des Ardennes ” (formed in 1885, and including non-co-operative dairies also).

It is noteworthy that there are no co-operative dairies in the big butter regions of Brittany and Normandy, and only a few isolated creations in the Centre and South. “ The attempts made in Brittany have hardly had any success up to now.”² This is remarkable in view of the fact that so much Brittany butter is exported to England—a condition usually favourable to co-operation. However, the syndicate d’Ille-et-Vilaine is trying to organise dépôts in England for the sale of butter marked “ Breton syndicat.”

M. Tiéfaine estimates that in 1892 of the total butter output of France (value 295 million francs, according to the official “ statistique agricole ” for 1892) one-thirtieth was co-operatively produced.

(3) Co-operative milk selling societies.

The “ laiteries co-opératives de l’Oise ” sell their milk direct to Paris. Owing to the excessive hostility of the non-co-operative dairies, who are syndicated, they formed in

¹ Les laiteries co-opératives en France, p. 28.

² V^o. C. N. Périgueux, M. Tardy, p. 164.

defence in 1903 a milk selling federation, which is prospering. They are only four in all; and their chief customers are the Duval restaurants in Paris. The most successful is the Clermont Society, which has in addition a local market, Clermont.

With the exception of the "fruitières," which are not increasing, the whole movement dates after 1884. Few have been directly created by the syndicates, but most have learnt from them the example of association.

The tale of the other co-operative societies is soon told.

In 1900 M. Chevalier¹ was able to note one co-operative "sucrierie" at Wavignies (Oise), and four co-operative threshing societies.

In 1902 M. A. Berget² could only find, outside the general activity of the special wine syndicates, one co-operative wine society, namely that of Damery (Champagne), founded in 1897 by a young socialist enthusiast, M. Lamarre.

However, the last few years have witnessed a number of remarkable experiments in the South in the region of Maraussan³ (Hérault). "La co-opérative des Vignerons libres" was founded in 1901 for the common sale of its members' wine: in 1905 it added a vintry for the manufacture of wine: in 1906 it contained 266 individual members and accounted for half the vine produce of the village.

The peculiarities of the association are these:—(1) Its individual members are partly small proprietors and partly labourers owning small vine patches, big growers being excluded; (2) it is a "socialist" organisation: it distributes its profits between propaganda and the development of the society, nothing being returned to the members in cash: it sells all its produce to the socialist co-operative stores, who are in some cases members and receive 25 per cent. of the profits as a dividend on trade; (3) it is a nucleus of co-operative village activity, a supply syndicate, a credit bank, a building society, a store, and a labourers' union; (4) it has as an adjunct a small co-operative vineyard, cultivated by

¹ Cf. Class 104, pp. 189-94.

² La co-opération dans la viticulture Européenne, p. 404.

³ Cf. Mémoire of Musée social "les Co-opératives paysannes et socialistes," 1907.

the society as such and one of its members is the labourers' union, which also cultivates a vineyard in common; (5) it is a financial success. A Catholic society, started in opposition in 1905 has so far been a failure. Four other "socialist" societies in the neighbourhood, created in imitation, have been successful in proportion as they have been able to secure what has undoubtedly been the chief factor of the Maraussan society's success, the custom of the town co-operative stores.

(B).—BELGIUM.

The law of 1898, organising professional unions or syndicates, was directly inspired by the French law of 1884. It is in two respects more liberal:—it recognises a class of "honorary members" who need not be members of the same profession and who may exercise a limited share in the management; and it allows the syndicate a wider scope in the holding of real property. It was not, however, of such significance as the French law of 1884, because the Belgians possessed by the 20th article of their Constitution of 1831 the right of free association. The law of 1898, therefore, merely made "reconnues" (registered) those associations "libres" ("free" or unregistered) which chose to avail themselves of it: societies thus registered enjoy certain privileges from the Government, *e.g.*, money grants for the purchase of machinery to be owned by them, and allowances covering the cost of legal inspection.

The Government statistics are presented in the following shape:—¹

(1) Ligues agricoles - - - -	} 962, (of which) 490 reconnues, 472 non-reconnues.
(2) Sociétés ou syndicats constituées pour l'achat de semences, d'engrais commerciaux, de matières alimentaires pour le bétail et de machines agricoles.	} 884, (of which) 122 co-opératives, 340 sections d'achat d'unions professionnelles reconnues.
(3) Sociétés ou syndicats constituées pour la vente du lait, etc. (laiteries co-opératives).	} 496

¹ Exposé statistique de la situation des associations d'intérêt agricole, 1905.

(1) The "*ligues agricoles*," the "*syndicat communal*" of Belgium, are invariably of parish area. They are either "*associations (unions) économiques*," *i.e.*, not concerned formally with other than agricultural interests, or "*corporations (guilds) chrétiennes*," *i.e.*, combining with agriculture definite religious ends. When a "*ligue agricole*," which is a professional non-trading association, proceeds to co-operative work, it takes one of three courses: either it establishes a "*section d'achat*" (purchasing department) within, so to speak, its professional folds, or it opens a distinctive co-operative society, under the co-operative law of 1873, or it merely brings the members together in a simple "*association de fait*" (personal union).

(2) The second rubric is for the most part a repetition of the former under its trading aspect. In this total of 884 are included the "*sections d'achat*" of the semi-official "*comices agricoles*" (158 in number), which are not of importance in this connexion. Therefore 726 of the societies (884 — 158) are merely "*ligues*" in their trading aspect. Of these 726, 122 have founded co-operative annexes under the law of 1873 and 340 are "*sections d'achat*" of "*ligues reconnues*" under the law of 1898. The remainder (264) are "*sections d'achat*" of "*ligues non-reconnues*." The statistics omit altogether the fairly numerous "*associations de fait*."

The "*sections d'achat*" of the "*ligues non-reconnues*" are the most effective co-operative organisations; for the strongest federal organisation, the "*Boerenbond*" (Peasants' Union), numbers among its 430 adherent leagues only 40 which are for co-operative purposes formed under the laws of 1873 or 1898.

This then is the great difference between the Belgian *ligue* and the French communal syndicate. In Belgium the most powerful "*ligues*"¹ are still contented with the liberal

¹ All the *ligues*, whether registered or not, are loosely called syndicates. In Belgium, as in France, there are in addition special syndicates, such as syndicates of hop-growers, market-gardeners, and cattle-raisers; and "*mutualités*," standing to the local *ligues* in exactly the same relation as they do to the communal syndicates in France. These do not enter into the domain of co-operation.

rights of association, guaranteed by the Constitution of 1831, the law of 1898 merely offering limited financial advantages, which may be held to be counterbalanced by the attendant increase of governmental supervision. In France on the other hand the law of 1884 first granted a right of association, forbidden by the law of 1791, so that all the syndicates are syndicates legally constituted under its provisions.

Nevertheless, the syndical movement in Belgium is later in birth by six years, and dates from the year 1890.

(3) The "laiteries co-opératives" are, exactly as in France, independently constituted societies. They are formed under the law of 1873. Nevertheless it was not till the appearance of the "ligues" in 1890 that they began to flourish. As the Government puts it: "Co-operation and 'mutualité' are the proper fields of action for agricultural leagues" (*Exposé statistique*, 1904, p. 10 fin). It is the organisation of the "ligues" which has supplied the example of association in the dairy: it is in most cases from among "ligues" that the members of the dairy are drawn. Sometimes the "ligue" presides at the establishment. "Several guilds, especially in the province of Luxembourg, have established co-operative dairies. . . . Finally the Boerenbond is at present endeavouring to bring about the establishment of syndicates of agricultural distilleries."¹

Before 1890 there were in existence only four co-operative dairies.

But in 1891 there were 11.

1895 „ „ 63.

1900 „ „ 395.

1905 „ „ 496.

The dairies predominate in the province of Limbourg, where they are formed into a "Fédération laitière du Limbourg," which has a co-operative sale mart or "minque" at the town of Hasselt and which holds competitions and shows among the different dairies. One co-operative cheese

society exists in Belgium, founded at Bièvre in 1897 and calling itself "Fromagerie de Royal Ardennes." At Oostcamp there is a co-operative *meunerie* (mill). Other forms of co-operative production are practically absent.

What have been the impelling forces behind this growth, more recent than in any other country of Europe save perhaps Ireland, and yet thickly covering the whole of the land?

They are the forces of party, political and religious. The Socialists and Catholics have sought to conquer the farmer by the weapon of co-operation. The Socialists, elated with the brilliant progress of their co-operative stores during the eighties in the big towns, cast their eyes longingly on the land. But with the agricultural labourer they failed generally, with the cultivating farmer absolutely. In 1902 the Socialists could only claim a few stores, recruited from industrial workers living out in the country, three dairies, practically annexes of town stores, and a great unwieldy organisation, "les campagnards socialistes," a national society with local committees containing in 1901 285 members in all.¹

The socialist agitation alarmed the Church, and it is they who with the patronage of the landed aristocracy and the Government have directly created all this growth in which, nevertheless, there seems to be much real democratic force.

The first move came in 1890 from the Abbé Mellaerts, curé of Goor Saint Alphonse, province Anvers, who had been much impressed by the work of Raiffeisen in Germany. Two other priests, l'abbé Berger in Hainault and l'abbé Couturiaux in Luxembourg, were the pioneers in other parts of Belgium.

To-day there is not a single district of Belgium without a controlling federation, under the direction of the Catholic clergy. The federations are six in number:

(1) Most numerous, most efficient, most centralised and most priestly is the "Boerenbond belge," founded by l'abbé Mellaerts in 1890 with the collaboration of Professor Helleputte. It extends over the province of Anvers, Brabant and

¹ Cf. Vandervelde, *Essais sur la question agraire en Belgique*, p. 111.

Luxembourg, and numbered in December, 1905, 430 *ligues*, called "Boerengilde," with 31,586 members. Its headquarters are at Louvain, the stronghold of the Catholic priesthood. From the first it has been conducted by Catholic priests in the avowed interests of Roman Catholicism. All its members must attend church monthly and observe the festival of St. Isidore, the patron saint of agriculturists. As article 3 of its statutes runs: "The agricultural League has as its object the promotion of religious, intellectual and social progress among its members and the safeguarding of their material interests in order to the establishing thereby of a class of strong Christian agriculturists."

(2) Fédération agricole de la Flandre orientale.

(3) Fédération agricole de la Flandre occidentale.

(4) Fédération du Hainault.

(5) Corporation agricole de Notre Dame des Champs (Province Liège).

(6) Ligue Luxembourgeoise.

In these federations the central body has less power, especially in West Flanders, where some of the "*ligues*" are what is called "*locales*," *i.e.*, unattached formally to the federation. This independence is attributed to the fact that the district being a cattle-raising district was less badly hit by the agricultural crisis about 1890.

Each of these federations has a number of departments or "*sections*" attached to it, dealing with the separate work of co-operative supply and sale, co-operative credit, "*mutualité*," and social organisation.

The co-operative work is performed by a "*comptoir d'achats*" (purchases office). Except in the Boerenbond, this "*comptoir*" is a distinct co-operative society, dealing with outside parties as well as its component "*ligues*," but the latter constitute the majority and receive most of the profits. In Hainaut this "*comptoir*" sprang out of a big regional co-operative society, which supplied the small "*ligues*" around it and which later allied itself with other co-operative societies to form the "*Union des Syndicats agricoles belges*."

In the Boerenbond, the "comptoir" is a "section d'achat et de vente" directly within the fold of the Bond and dealing with none but its own "ligues." The "comptoirs" act as intermediaries for the supply of raw materials. The Boerenbond has recently established a mill at Antwerp for the preparation of seed and oil cake, buying the raw materials and re-selling the prepared products. In addition, the Boerenbond in the last two years has made a beginning with the co-operative sale of its members' produce, especially potatoes, on the outside market.

The introduction of religion into business is perhaps peculiarly unpalatable to the English mind, but before condemning Belgian methods (and incidentally Italian as well) certain grave considerations must be borne in mind. The members of the town stores have been from the first frankly socialist and frankly desirous of socialising the peasants by the same instrument of co-operation: and there can be little doubt, that the traditional religion in which the Belgian farmer has been born and bred is a more steady admixture in his business, if admixture of some kind there must be. So far the priests have employed religion to stimulate and improve agriculture rather than *vice-versa*. How far this process may be reversed to the ultimate detriment of Belgian agriculture, if this form of organisation becomes economically predominant, must remain a matter of conjecture.

(C).—ITALY.

"Some twenty years ago"¹—this is as definite a date as Italians themselves are prepared to ascribe to the beginnings of agricultural co-operation in supply and production. The characteristics of the movement are quickness of growth and variety of types: happy harmony with and direct support from the co-operative town banks, operating under congenial legislation: and, finally, bewildering statistical confusion. Almost every year sees a new statistical dressing filling up retrospectively the gaps of previous years. The following summary is based on the

¹ Raineri, see end of paragraph.

two latest documents : Dr. C. Raineri, *National Organisation of Agricultural Co-operation*, paper presented to the *International Co-operative Congress*, Cremona, September, 1907 : Dr. V. Magaldi of the Italian Ministry of Agriculture, communication supplied to the same meeting.

Supply. There are 790 societies for the common purchase of agricultural requirements :—

Consorti agrari (agricultural societies)	...	366
Unioni rurali (rural unions)	200
Other organisations	224
		<hr/> 790

Among the “other organisations” are a number of “comizi agrari” associations like the French and Belgian “comices agricoles,” not formed primarily for business purposes, which are now generally handing over their work to special societies *ad hoc*. Some village banks, town banks and unregistered societies, which make up the total of 224, are in the same position.

The special societies are the “consorzi,” the most powerful societies, which correspond to the French syndicates except that they are untroubled by legal limitations as to their commercial province and therefore have no need to duplicate their machinery; and the “unioni,” which are societies of exactly the same type, but in professed allegiance with the Catholic Church.

The members, estimated in all at 200,000, are for the most part small proprietors. The size of the societies is very varied and their turnover ranges from £200 or £300 in the smallest to £100,000 in the biggest society at Piacenza. This and several other big societies, such as exist in the provinces of Friul and Cremona, cover a very considerable extent of country, which they supply by means of agencies or branches, administered by staffs dependent upon the central office. Thus the Consorzio of Cremona¹ has eleven “Filiali,” either “succursali” (branches) or “depositi” (agencies). The agency is the more rudimentary form,

¹ Istituzioni agrarie co-operative cremonesi, Separate Report to Congress of Cremona, 1907, p. 5.

being worked by a local tradesman or farmer, who has other duties besides : as it develops, it is converted into a "succursale." This branch system has been peculiarly effective in drawing in the very small proprietors of Crema and Castel-Maggiore, where property is "much split up."

The "Federazione Italiana dei Consorzi agrari," or agricultural wholesale society, which was formed in 1892 in order to strengthen the agricultural institutions then existing by means of union and to stimulate the formation of new ones, is organised as a co-operative society with unlimited share capital. It began with a membership of 18 societies and has now 462. The members are not bound in any way to purchase their goods solely from the Federation, which deals also with non-member societies. The trade has increased from £28,000 in 1893 to £424,000 in 1906.

Quite recently the farmers have taken the final step of preparing their own manures, especially phosphates. The factories for this object number 10; and though they sell to outsiders, the share capital is owned by members of a "consorzio" or by informal groups of farmers. The stuffs are sold at cost price and the members bind themselves to take a minimum quantity per annum. As the Cremona factory, established in 1906, declares: "The object of this co-operative society is pre-eminently to serve its own consumer members, without seeking, or seeking as little as possible, to do business with outsiders."¹

Production. The most important productive societies are the co-operative vintries, about 100 in number. Their history is significant.² Between 1870 and 1876, in the first flush of national unity, a series of costly vintries was established over Italy by joint-stock companies, not themselves composed of the grape-supplying farmers. These began on too large a scale and failed miserably with the exception of Sondrio, a semi-co-operative vintry owned by medium scale farmers, but distributing profits on the basis of share holding. The second period opened in 1884 with small vintries on co-operative lines, profits being distributed according to

¹ Istit. Cremon., op. cit., p. 33.

² Cf. Berget *La Co-operation dans la viticulture européenne*, pp. 263-306.

grapes supplied. Ippolyte Pestellini at Bagno di Ripoli near Florence was the pioneer. These were ultimately successful, with the help of the credit banks and several large proprietors who took the smaller farmers into partnership. A central union is in course of formation at Monferrato.

In May 1907 the Italian co-operative dairies held their first congress at Reggio Emilia. There are now about 600 in Italy, of which 200 are in Friul. They vary in size and development from the huge dairy of Soresina¹ near Cremona, founded in 1900 and having in 1906-07 an average daily milk supply of 235 quintals, to the antiquated nomad "fromageries" in the Alpine valleys.

Co-operative cattle breeding is but little developed.

There are a few silk-growing societies, two in the province of Cremona.² These prepare and store the cocoons, sometimes leaving the sale to members, sometimes selling through the society's organisation.

Sale. There are about 40 societies in all for the sale of table fruit—especially round Piacenza—vegetables and eggs.

Perhaps the most important agents in this development have been the "cattedre ambulante" or travelling schools of technical instruction, which conduct co-operative propaganda in the different provinces under Government supervision. Save for the persecution era of 1898, the Italian Government has favoured agricultural co-operation. The recent law of 1907 in favour of agricultural societies lightens certain of the financial burdens of the law of 1883, provided that their capital does not exceed 30,000 lire.³ This will no doubt stimulate a growth which has been of unparalleled quickness and diversity.

¹ Istit. Cremon., p. 21.

² Ibid., p. 25.

³ Magaldi, p. 10, op. cit.

CHAPTER IV.

CO-OPERATIVE SUPPLY,

WITH AN APPENDIX ON THE CO-OPERATIVE SUPPLY OF
MACHINERY.

Normal Structure: Small Local Society and Federal Wholesale—Distribution of Profit: Similarity to, and Variation upon, the Store Dividend—Liability and Supply Bond between Members and Society, Society and Wholesale—Agricultural Materials *versus* Agricultural Materials plus General Provisions—Early Difficulties—Actual Achievements—APPENDIX—Special Nature of Machinery, involving a Machine-*Owning* Society—Method of Society's Operation—General Alternative: Outside Hire—Inherent Difficulties of Machine-Owning Society.

THE economies of the co-operative supply of the materials of agriculture are parallel with the economies of the town store, which will be analysed in a later chapter. It happens indeed in some cases that the agricultural supply society deals in general provisions as well as in raw materials, but this department is always a later adjunct, never the *raison d'être*. Whereas the town store represents for its members the sum total of co-operation, the agricultural society, whatever it may supply, is but one point, generally the starting point, in a series of co-operations in the direction of production and sale.

The organisation of co-operative supply presents a fairly uniform type, the local society and the central federation or wholesale. According to the geographical situation of the country or the accidents of history, this wholesale may be either provincial or national. If provincial, it may, as in Germany, have a higher organisation above it: or it may, as in France, be practically independent.

There is nothing in the functions of the supply society which necessitates its limitation to a strictly parish area. As was shewn above in the case of Germany,¹ the supply society may satisfactorily embrace more than one parish—which the

¹ Cf. above, p. 83.

rural credit bank cannot do. However, there is an undoubted tendency in the strongest co-operative regions, in the regions, that is to say, where small cultivators abound, to make the parish or village the primary unit of association. This means that the society can reach down to all and can associate all in local government. The disadvantages of local isolation, which in the beginnings of the movement favour a big area, may be at least counterbalanced by close relations with a complementary federal wholesale.

Given a village area, the comparatively scattered position of a rural population makes it improbable that the village will support a large-scale establishment, such as tends to grow up in denser town areas of no greater geographical extent. When, moreover, the supply society confines itself to the materials of agriculture, there is not the same need for a big magazine with a large variety of stock; for its goods are either seeds, foodstuffs and manures or machinery. The latter is an occasional expenditure for the farmer. Its need can be foreseen in advance; and there will be little loss of time or money, if individual requirements are grouped together and ordered in bulk at certain seasons of the year. The farmer will be able to obtain sufficient foreknowledge of his purchase, if the supply society has models of its own or at any rate an illustrated price list. If this price list comes from its wholesale, the society will derive the additional economy of placing all its orders in one hand.

Raw materials are still easier to handle. The demand is regular, and changes must within limits be fully known to the members, when they decide upon their scheme of farming at the outset of the agricultural year. Each year will come the rush of orders for seeds before the spring and autumn sowings, and for manures when the harvest is finished. As the demand can be calculated with greater nicety, the supply of raw materials is likely to be attempted before that of machinery; indeed, it is only in the most developed co-operative regions that agricultural machinery is regularly supplied from a co-operative source.

The supply society which I inspected at the village of Guntersblum, by the Rhine, will afford a picture of the

simplest form of co-operative society engaged in the supply of raw materials. As an establishment it is simply a shed. Its sole official, the secretary, works also at the local credit bank and does his business either there or at home. Each quarter he obtains from the peasant farmers an estimate of their requirements and transmits the orders to the "Ein-und-Verkaufsstelle" (*i.e.*, the office of the Provincial Wholesale) in Darmstadt. The deliveries are carted by the peasants themselves from the station to their respective farms. The society pays cash *en bloc*, and takes the risk of non-payment by the members. As a measure of prudence the secretary orders a little more than the amounts demanded: which he keeps in the shed. Then, in case any farmer should have under-estimated his wants, he need not have recourse for this slight but instantly required addition to outside traffickers, who are usually Jews; for these men often refuse to supply incidental wants unless the buyer will promise to continue his custom, hoping thus to draw him within their clutches.

The fixing of price and the distribution of the surplus profit are conducted on the same principle as in the retail store in the town—sale at market price and division of the surplus according to the amount of trade done through the organisation. The trade dividend, though doubtless encouraged and confirmed by the known success of the Rochdale Store system, doubtless suggested itself naturally to farmers of all lands as the most business-like way of dividing a surplus derived from the supply of the preliminary materials of production.

However, the lesser importance, as a business establishment, of a society which is concerned only with agricultural supply may lead to a modification of the Rochdale system. Thus, in Germany, the Haupt-Genossenschaft or Wholesale buys at wholesale rates and re-sells to the societies at market price. But while in the town stores there are two dividends, in the German agricultural supply societies there is but one. The wholesale society of the British town stores pays a slight dividend to the separate stores, based on the difference between the manufacturer's and the wholesale

price ; and the store pays a further dividend to its members based on the difference between the wholesale and the retail market price. The German supply society has only one dividend with which to reckon. Ordering from its wholesale for the individual accounts of its members, it serves as the channel for the payment of a single dividend from the wholesale to the different members of itself.

In the intimacy which exists between the individual members and their co-operative organisation there is in practice considerable variety, which is a reflex of variations in historical and legal environment. This intimacy is to be measured by the financial stake which the members have in their organisation, and by the loyalty with which they take their custom to it.

Some supply societies have limited, others unlimited, liability. Many lay down in their rules that the members shall bring all their custom to the society, but sometimes this is absent or a dead letter. The loyalty of the societies themselves to the wholesale is also variously regulated.

The peculiar antecedents of the East Swiss Union have resulted in the subordination of the societies to the Central Union or Wholesale Society. The liability of the societies towards the Wholesale is limited, but that of the member towards the individual society is unlimited. For the raw material of agriculture (excluding machinery) the Wholesale acts as an intermediary only ; and societies limiting themselves to these commodities have no share in the profits. The societies which obtain general provisions from the Wholesale share its profits in proportion to their custom, but they are bound by rule to keep the whole of this as an indivisible reserve fund in their society. The case is the same in the German Raiffeisen credit banks, where supply is worked as a subordinate branch. The working capital of the societies is raised by loans (Model Rules of Societies, Statute II.), often from the members themselves : that of the Wholesale is derived from reserved dividends and deposits by the societies (Model Rules of Wholesale, Statute IV.). The Wholesale has the right to call up a society's reserve fund if it wants money ; and if a society

leaves the Union, the latter can postpone repayment for three years. In the event of a society's dissolution, its assets, including the reserve funds, are forfeited eventually to the "Winkelried-Fond" for discharged soldiers. The same applies to the contingency of the Wholesale's dissolution. Loyalty in custom to the society and the Wholesale is rigidly enforced. "Every member is pledged to draw his supplies from the store in so far as these are provided by it." (Model Rules of Societies, Statute II.).

The supply societies of Denmark, Ireland and Germany stand in the normal relation of the town store to its wholesale. In Denmark and Switzerland general provisions are supplied as well.

The Danish Wholesale is national in area, resulting from a union in 1896 of two regional wholesales, Zeeland and Jutland, founded in 1894 and 1895 respectively. The individual societies are, as in all forms of Danish co-operation, worked on unlimited liability. The Wholesale has a share capital with limited liability held by the societies. Though membership is optional, practically all the societies (950 out of 1,000 in 1906) are members. Just as the loyalty of individuals to the society is optional, so also is its loyalty to the Wholesale; but despite this the societies bring practically all their available custom. This amounts to 66 per cent. of their turnover, the remainder consisting of bread and beer, which is supplied locally by private enterprise. Only 12 of the societies make their own bread.

In Ireland liability is limited in both cases, and the punishment of disloyalty within the societies by forfeiture of shares has been pronounced illegal by the Registrar.¹ As in Denmark, loyalty to the Wholesale is optional, but the option has been abused. "The most serious difficulty against which the Wholesale had to contend was that notwithstanding its efforts to combat and break down the influence of the various rings and syndicates which exist in the agricultural trade in this country, many of the societies actually used the exceptional quotations given them by the Wholesale society in order to make more favourable contracts with

¹ Information privately supplied.

firms outside the movement whose interest it naturally was to prevent any form of combination of farmers for trading purposes taking place.”¹

In Germany the provincial wholesales have limited liability; the individual societies vary. Out of 1867 supply societies in 1905²

1089 or 58·3 per cent. had *unbeschränkte Haftpflicht* (unlimited liability).

775 or 41·5 per cent. had *beschränkte Haftpflicht* (limited liability).

3 or 0·2 per cent. had *unbeschränkte Nachschusspflicht*³ (special kind of unlimited liability).

Limited liability is increasing. In 1904 of the new foundations 67 per cent. took this form, in 1905 70 per cent. The societies regularly purchase their supplies through the provincial wholesale, and disloyalty within the society is generally punishable by statute.

In France the syndicate, as such, may not distribute its surplus in the form of dividends to members proportionate to their custom. “The difference between the price of purchase and the price of delivery constitutes in the syndicates the reserve, which is the property of all without proportionality based on the amount of purchase, so that the syndical member who has bought nothing is co-owner of this reserve with the same rights as those who have helped most to build it up by the importance of their purchases.”⁴

The commercial rôle played by the syndicate varies. Sometimes it acts as adjudicator of sealed offers, binding itself to accept the lowest: sometimes it reserves the right to take into account other considerations, such as the general reputation of the contracting firms: sometimes again it contents itself with general enquiries into prices. For this work the syndicate in its earlier years acted as a simple intermediary, or “boîte aux lettres”⁵ between the farmers and the commercial houses. It demanded no guarantee for the execution of the contract and it undertook no responsibility as to

¹ I.A.O.S. Report, 1902, quoted in Webb (C) Industrial Co-operation, p. 161.

² Jahrbuch des Reichsverbandes, 1905, p. 15.

³ Cf. below, Legal Appendix, p. 375.

⁴ C. I. Paris, 1900. M. Duport, p. 87.

⁵ Elie Coulet, p. 30. “Le mouvement syndical et co-opératif dans l’agriculture française.”

payment. But the intermediary rôle has been abandoned by all save a few syndicates which confine themselves to the ordering of manures.

The financial responsibility, now thus assumed, also varies. Only very rarely do the members of the syndicate fully guarantee its orders; sometimes the guarantee amounts to two or three times the annual subscription to the syndicate, but in the majority of cases it is merely the single yearly subscription plus the reserve fund. The looseness of the syndical organisation over against third parties has been in certain cases removed by the device of the co-operative annexes, but this consolidation has been partially neutralised by the perverse notion that the syndicate should not be led astray by the "materialism" of the co-operative society. "Thus," says M. Duport, "it is well not only to leave to the members of the syndicate the possibility, but even to offer them the opportunity of being able to buy outside the co-operative, so that, if they wish, they can refuse to become members of the co-operative, or, while members, can buy outside it whenever it suits them."¹ Again, he argues further on, if the syndicates have no premises, if, further, they forbid the co-operatives to have their own manure factories, then they are much safer against attack,—because they have nothing tangible that can be seized upon! One might as reasonably eulogise poverty on the ground that the pauper is safe from the highwayman. In so far as the members of the syndicate regard loyalty to the co-operative annexes as a "servitude," they paralyse the strength of the latter in dealing with the outside market.

The Belgian wholesale federations accept responsibility for their orders. The agency of the Boerenbond at Louvain is an unregistered society, unlike the other Belgian wholesales, and therefore more difficult to proceed against, but such is the confidence inspired by those who direct it that it has no difficulties in its mercantile transactions.²

Despite occasional theoretical aberrations, the syndicates

¹ C. I. Paris, 1900, p. 89.

² Cf. C. I. Paris, 1900. M. Manneback, p. 109.

in both countries can at any rate point to the fact that they are first-class payers. There are practically no instances of non-payments for goods delivered through them. The hostility of manufacturers, which is rapidly disappearing, is due, more than anything, to the wounding of their *amour propre*, when they discover that the intermediary is no longer *their* servant,¹ but the representative of the purchasing farmer, who, it may be, is sometimes unduly obdurate about complying with the reasonable usages of commerce.

Over the proper province of the agricultural supply society, as regards the goods in which it should deal, there is a difference of opinion amounting almost to a "System-Streit."

The strongest supply organisations, those of Denmark and Switzerland, supply household requirements as well as the materials of agriculture. Not only has the Danish organisation a huge wholesale warehouse at Kopenhagen, but it has also, like the British Wholesales, its own productive departments: a cocoa and chocolate factory at Kolding, a tobacco factory also at Kolding—erected on account of a boycott by the tobacco merchants—and rope and soap factories at Aarhus. The organisations of the other countries confine themselves strictly to agricultural requirements, seeds, manures, foodstuffs and sometimes machinery although in each country a few societies are heretics. Except perhaps in the case of Belgium, the organisations do not thus limit themselves, as they do sometimes in the matter of machinery, because they feel too weak to assume the work, but because they consider it outside their province.

The I.A.O.S. has defended its opposition to the Enniscorthy heretics on the ground that it is imprudent to provoke the trader. In the same way the German organisations, inspired perhaps by the middle-class-conciliation policy of the Imperial Government, urge that the shopkeeper is an honourable enough person, whom it would be a shame to annihilate. The French syndicates have a stronger *prima facie* case, since the syndicates as such cannot lawfully deal

¹ Cf. V.C.N. Périgueux, M. Courtin, p. 103.

in general provisions; although of course this can be avoided by the creation of a co-operative annexe. In fact their apologists seem to rejoice over the legal inability. Thus Cte. Rocquigny, deprecating the syndicate-store, writes: "Created to be an instrument of social peace, it (the syndicate) enters into competition with local traders and thus sows seeds of division and discord. If it confines itself to strictly professional ground it is unassailable and not able to excite reasonable animosity."¹ But surely it is as much a breach of "social peace" to compete with the seller of artificial manures, as it is to compete with the local grocer. Surely it cannot be contended that the rural shopkeeper is completely adequate, while his fellow in the town is not; and since the modern farmer obtains many necessities from shops, it seems idle to help him to save in one pocket what he loses out of the other.

Yet whatever their limitations in some countries, the agricultural supply societies have done much for the farmer. The early difficulties were everywhere the same. The peasant proprietor was constitutionally averse to change. First he thought the new-fangled manures useless, because he had often been defrauded by the merchant: then, when the society supplied them, he thought them useless because he did not know how to use them properly. "We will not use chemical manures: they are all frauds."² The co-operative society not only brought him cheaper supplies, it also taught him how to use them. Opponents³ of co-operation have contended that this testing work could have been equally well done by the local professors of agriculture: but his own society commands from the farmer what the local professor does not—namely confidence. In Germany, for example, the testing stations were practically neglected until they were managed in connection with a co-operative organisation.

In many a co-operative society the difficulty is to find someone to take up a new idea. When one farmer, perhaps

¹ *Op. cit.*, p. 172.

² P. Tiéfaine, *op. cit.*, p. 52.

³ *Cf.* Elie Coulet, *op. cit.*, ch. I.

the big man of the village or a man of peculiar enterprise, leads the way, the rest follow. As the French Report of 1900 says: "The farmer does not have recourse to chemical manures, selected seeds or new methods of cultivation, unless and until he feels assured of their success by the confirmed example of a neighbour."¹

Though some commercial houses have always been strictly honourable, it is impossible to deny that the small farmers have been hopelessly plundered by travelling agents. Here is a sample of a fraud which the supply societies in Rhein-Hessen have stamped out. "The average quality of feeding stuff should be about 16 to 18 per cent. of protein. The Jew traffickers used to put the number 20 in big letters on the feeding cakes and the real percentage—a very small figure—in small letters in the corner. The "20" was their own business mark. By this means the farmer was induced to believe that he was buying excellent feeding stuff."² In such things as seeds and manures the farmer is specially open to deception because their value cannot be tested at once.

In particular cases the societies, in order to replace worthless stuff by stuff of good quality, have had to raise the price—to the loudly expressed disgust of the farmer—but generally the societies have effected huge reductions.

Thus in France the diminution of price amounted to 46 or 50 per cent. of their former cost in the typical cases quoted.³

Again in Belgium: "We still bear in mind this striking fact that, when at the outset we were on the point of establishing agricultural associations in certain villages, the merchants in a single day lowered by 7 francs per 100 kilos the price of linseed (*farine de lin*), which was previously priced at 15-16 francs."⁴

Again in Switzerland, the East Swiss Union at Winter-

¹ Paris Exhibition, Class 104, p. 139.

² Information privately supplied by a German Government expert.

³ *Op. cit.*, Class 104, p. 159.

⁴ M. l'abbé Mellaerts, art. in "Le Paysan," 1901, decembre, pp. 270 sqq., quoted M. Turman, *Les Associations agricoles en Belgique*, p. 280.

thur held an enquiry in 1893, which gave the following results :—

<i>Commodity.</i>	I. <i>Society's Price.</i>	II. <i>Local Dealers' Price.</i>	III. <i>Excess of II. over I.</i>
	Fr.	Fr.	
American pitchforks -	2'10	3'20	52%
American garden forks	3'50	5'	43%
Sickles - - - -	2'80	3'80	35%
Spades - - - -	1'30	3'10	133%

and so on for many other implements. As to manures, the reduction was about 2.4 francs per kilozentner over Switzerland generally.¹

Again in Ireland, I was informed that when the premises of the Enniscorthy society were burnt down some time ago the local prices of agricultural machines went up 50 per cent.

Much of this is no doubt *ex parte* evidence. But, that the agricultural society has immensely reduced prices for the small farmers, I have found nowhere any serious attempt to deny.

APPENDIX ON THE CO-OPERATIVE SUPPLY OF MACHINERY.²

The supply of agricultural machinery requires separate treatment for this reason. While the farmer must necessarily purchase seeds, manures, etc., for his own exclusive use, in machinery he has a choice of two courses: he may either buy them for his own account as he would his seeds, or the society may buy them and hire them out as their property to him and the other members. In the case of very expensive machinery, such as steam ploughs and steam threshing machines (which cost about £300), society ownership alone is possible to many small farmers.

This form of co-operation is very recent, although it is structurally most akin to the economic methods of the

¹ Cf. Dr. H. Müller, "Die schweizerischer Konsumgenossenschaften," pp. 435-6.

² Cf. "Les Machines Agricoles Syndicales," Trigaut and Miserez.

primitive village community, in which the communal ownership of the implements of production seems to have been general. The soil is, in fact, cultivated to-day on an individualistic basis, co-operation only entering before and after the actual processes of cultivation: and it would appear that only the absolute impossibility of individual ownership in face of the expenses of modern methods has brought about common ownership in this one department.

In Belgium, the machines are owned either by the "comices agricoles" and the local "ligues," or by special co-operative societies, particularly for steam threshing. Likewise in France machines are owned by the syndicates, or by their co-operative annexes. The same holds good of the Duchy of Luxembourg. In these three countries machine ownership by legally registered syndicates is encouraged by the Government, which contributes something, usually one-fifth, to the cost of purchase. In Germany¹ the 233 co-operative societies which are classed as "landwirtschaftliche Werkgenossenschaften" are societies for the ownership either of steam ploughs or steam threshing machines.

The method of operation is more or less the same, whatever the country, and whatever the legal connotation of the society. The first machine bought will probably be a seed sorter, then perhaps a harrow, then a binding-reaper: or in a cattle raising district first a weighing machine, then veterinary instruments. For the expensive steam thresher or steam plough, a special society often exists *ad hoc*. Where the society's area covers more than one hamlet, lots may be drawn for the first use. Members are served in the order in which their notifications arrive through the post. The rules lay down the charge for each machine, and the number of days it may be kept, the latter generally calculated on the size of the farm. The first user must himself deliver the machine over to the next man on the list—and so on: the last man returning it to the society's dépôt. The profits in a typical Belgian society are distributed as follows:—One part to pay off the outstanding cost of the

¹ Jahr-und Addressbuch 1906, p. 231.

machines, another to interest on the share capital, the remainder to members in proportion to their share holding—very often in the case of an expensive machine a member must take up a number of shares proportionate to the size of his farm. The original funds are provided by loans from a co-operative bank, share holdings, gifts and Government subsidies.

The alternatives to society ownership in districts of small farmers are :

(1) Hire from a big neighbouring farmer if such a man exists;

(2) The engagement of a special threshing or steam plough firm.

In Denmark and Switzerland, where the less costly machines are supplied by the co-operative organisation direct to the farmers, there is very little sign of society ownership. As the co-operators in these two countries are all small farmers, it cannot be because they are bought for individual accounts. But the land, being chiefly pasture, has much less need of the expensive threshing machine. In Denmark, where required, steam threshers seem to be hired from the model farms or from private firms. In Switzerland these firms are occasionally themselves co-operative societies, being in fact agricultural workers' societies. In parts of France in which there is as yet no society ownership the syndicates sometimes contract with private loaning firms on behalf of their members.

The chief difficulties of society ownership are, first, that the members will all want certain machines at the same moment. This would apply especially to harvesting machines. Ploughs and sowing machines allow a wider margin for their use; while machines for the preparation of manures and threshing machines can be used during half the months in the year. Secondly, for its steam and electrical machinery, at any rate, the society must keep a special engineer, since farmers are not able to be good mechanics. Even in England heavy machinery rarely belongs to the farmer, being owned by a company, which sends its expert with it to the different farms in turn.

CHAPTER V.

CO-OPERATIVE "PRODUCTION."¹

Main Division: Production *versus* Sale—Cross Divisions concerning Frequency of Supply, Quantity and Value of Produce Treated.

THE possible varieties of "productive" societies in agriculture are only limited by the varieties of agricultural products themselves. But there is one very important division, which may be applied to all varieties, and this division concerns the magnitude of the change involved in the actual co-operative process. The society is either a productive society (in the limited and usual sense of the word) or a simple sale society: a "société de production" or a "société de vente": a "Verwertung-Genossenschaft" or an "Absatz-Genossenschaft." The first type of society effects a change of form as well as of place. The second a change of place only. Examples of the first type are the dairy, the bacon-curing society, the vintry, the distillery. Examples of the second type are the egg and poultry society, the corn society, the fruit and vegetable society. The line of division is neither impassable nor hard and fast. For example, it is not infrequent for a society which begins with the mere sale of raw fruit to establish a fruit-preserving or jam factory, selling its best fruit directly as raw fruit and the remainder after conversion into preserves and jam. In the same way a corn society may attach to itself a mill or bake-house. Conversely a dairy may find it to its interest to abandon butter-making and sell its milk direct, if it happens that a big town springs up in its neighbourhood.

Again, a sale society, with a view to improving the conditions of the articles sold, may conduct operations of grading, storing and packing, which involve expensive

¹ Production and productive, when used in their wider sense to include sale by itself, are placed in inverted commas.

machinery and expert work. From the dirty unsorted egg to the egg cleaned and packed, from the raw corn to the corn cleaned and ripened in the silo or the store-house there is at any rate a partial change of form; and in the case of corn the equipment may be at least as expensive as that required in the dairy or vintry. However the egg is still an egg, the corn still corn. And, although the sale society may involve technical and expensive equipment, it can at the same time operate quite inexpensively on a more modest scale, doing no more than forwarding the product after a rough classification.

This main difference may be approached from another side. Dairying, distilling, wine-making, bacon-curing are all productive processes, which belong in French phraseology to "*l'industrie agricole*," or in other words they are processes of manufacture, in which the product treated is very closely connected with the soil. This means first of all that the product is not more than one remove from the raising of the raw material, as contrasted, say, with weaving or shoemaking. But it means more than this. It means secondly that the manufacturing process is conveniently conducted on the land close by the place of growth, as contrasted, say, with the spinning of cotton or flax. Though thus differentiated from industry in general, "*l'industrie agricole*" signifies industrial manufacture in factories in the fullest sense of the terms. Accordingly when these processes are co-operatively undertaken, the co-operative societies enter on a limited scale into the problems of industrial organisation. They have to settle the relations between themselves as employers and their operatives. For example, the central association of co-operative bacon-curers in Copenhagen has, among one of its duties, to deal with strikes of workmen,¹ while the Dairy Managers' Association manages the Dairy Employees' Accident Insurance Association and Friendly Society.² They have also to face the main problem of the ordinary joint-stock company, viz.,

¹ Scotch Commission, *op. cit.*, p. 100.

² Irish Commission, *op. cit.*, p. 64.

the due balancing of function between the professional manager and the committee of control.

To co-operative sale societies the term "industrie agricole" would scarcely be applied. The operations do not involve an indispensable transforming process. The operatives employed are usually so few as not to suggest the industrial relation of employer and employee. However, it is obvious that here also a rigid distinction cannot be made.

This fundamental division, which is in practice fairly clear, fixes in a measure the business basis of the "productive" society. Sale societies may or may not be independent business units; productive societies must be. It is quite normal for the French syndicate or the German credit bank to conduct the sale of fruit and corn, even though the process may involve large expenditure; and this they can do, because the cost of the service thereby rendered and the resultant increase in value are measurable beforehand and fairly uniform.

The dairy society, the vintry society and the bacon-curing society are never attached to other organisations. The value of the produce varies materially according to the efficiency of the management and of the plant, both complex factors which cannot be determined beforehand and reduced to *pro rata* costs. It is not sufficient to say that the operations in productive societies are more "important" than in sale societies, for the corn house may be more costly than the dairy. It is the complexity of the operation and of the resultant value, which makes an independent organisation necessary.

Furthermore, a co-operative organisation which is concerned merely with sale, whether this be its main or an added function, may stand to the individual suppliers either as an independent buyer or as a commission agent. In the sale society both forms are possible and frequent, the latter generally presenting itself as a first stage in co-operative development and yielding to the former as the movement gains in strength. But from the outset the productive society must take on itself the risks of the operations involved. A factory cannot be worked on commission for the

same reason that it cannot be worked as a side department of another kind of co-operative society.

Over this fundamental division run certain cross-divisions.

The first of these concerns the intervals at which the produce comes into the society. In the egg society and the dairy society, and to a certain extent the bacon society, the produce comes in fairly steadily all the year round. Other societies depend on a harvest, either on a single harvest, in the case of the corn and flax societies, or on a series of adjacent harvests, in the case of the fruit society.

The second concerns the comparative size of the society. The bacon factory and the corn society are more likely, for commercial reasons, to deal in bigger quantities and greater values than other societies. This is not the same thing as saying that they are owned by big farmers or by small. The corn societies of Germany are partly recruited from big farmers, but the bacon factories of Denmark almost exclusively from small farmers.

It has been remarked that sale societies may or may not be independent societies and may or may not buy outright, both distinctions being in a measure transient and the result of historical accident. The other distinctions, however, are permanent and suggest certain *a priori* judgments.

All sale societies possess one or other of the demerits of the egg society on the one hand or of the corn society on the other. The egg society is simple and inexpensive. But because simple, it does not create a material bond between its members and itself; because inexpensive, outsiders can easily encroach on its domain. The corn society is less simple and more expensive, but it has the disadvantage that for the greater part of the year its members are not engaged in active business with it. The corn grower in the course of a few days hands over the result of a whole year's work to his society. If it is selling on commission, a single bad deal may cause his ruin. If on the other hand it buys from him outright, he will need considerable co-operative character to accept loyally the society's valuation of his all.

The productive societies possess a material bond of union in their dairy house, wine cellar or slaughter house, the use

of which will not be an alternative or an after-thought; because the way the produce is converted is as important financially as the way in which it is raised. The member cannot miss out this process, as the member of a corn society can abandon the corn house for a direct deal elsewhere. If he does, he sells milk, not butter; grapes, not wine; thus surrendering wholly the objective of his co-operation.

Among productive societies the dairy offers the best working conditions. Interlopers cannot come in one month and go out the next, as in an egg society. The supplies come in fairly steadily all the year round. No blight is likely to ruin most of a year's supply, as so often happens with vines. Most farmers have made or know how to make butter at home and therefore they find it easy to control a co-operative dairy where the same familiar processes are being conducted, only on a larger and more modern scale. On the other hand if they establish a bacon-curing factory, they are probably trying for the first time to control a business which they have hitherto left in the hands of professional curers.

Experience confirms these *a priori* judgments, the co-operative dairy being easily first in the successes of co-operative "production."

CHAPTER VI.

CO-OPERATIVE DAIRYING.

- I. Co-operative Dairy *versus* Small Home Dairy—(1) Superiority in the Matter of Organisation, Internal and External, (2) Superiority in the Matter of Marketing—Advantages of Selling Federation in Marketing—Difference between Home and Foreign Market.
- II. Co-operative Dairy *versus* Proprietary Dairy—Superiority in the Matter of Better Prices to Farmers; Fuller Advantages to Farmers of Bye-Products; Co-ordination of Agriculture and Provision of Channel for Governmental Assistance.
- III. Constitution of the Co-operative Dairy—(I.) Division of Profit; (II.) Provision of Capital, and Nature of Liability; (III.) Control of Milk Supply.

SINCE the dairy is the most developed type of society, its examination will elucidate most clearly the possibilities of co-operative "production" in general. The same order of economic and social advantages, which is realised here, is realised partially and less perfectly in the other types. The constitution of the dairy, its rules and regulations, are the same as those of any other productive society: and they appear in principle in the sale society also. We shall, therefore, first of all examine by consecutive analysis the advantages of the co-operative dairy; and secondly observe the most salient points in the constitution under which these advantages are secured.

I. The co-operative dairy, along with the big private dairy or the joint-stock dairy, has superiorities over the small home dairy. These advantages, which are purely economic, are the advantages of the factory system over domestic industry, and they are of two kinds:

(1) Superior organisation, both internal within the factory itself, and external, as between the factory and the supplying farms.

(2) Superior marketing power, relating on the one hand to the purchase of dairy equipments, and on the other hand to the marketing of the finished produce.

(1) ORGANISATION.

In the matter of internal organisation, modern dairying is a machine industry, using steam as its motive power, and the modern butter-making process, the "centrifugal" process, is highly specialised. The plant of a fair-sized dairy, worked throughout with steam power and the latest machinery, costs between £700 and £1,500. Here is the picture of a co-operative dairy at work.¹ Each morning the milk is brought from the farms into the dairy yard, and, after a sample of each supplier's milk has been taken for testing purposes, poured into large tanks. The milk is then separated at pasteurising temperature, the skim milk (about 75 per cent. of the whole weight) being returned to the farmer for cattle food. The cream which remains (with the exception perhaps of a small quantity reserved for local consumption as cream) is ripened in large vats, and then conducted along cooling pipes so as to reach the churn at a suitable temperature. When the resulting butter and butter milk are emitted from the churn, the butter milk is sucked down by pumps and led away along pipes to be pasteurised and returned to the farmers also for cattle food. At first, both in Ireland and Denmark the farmers grumbled because their butter milk was not so valuable as before, not realising that this decrease was more than compensated by the completer extraction of the more valuable butter material. Lastly, the butter passes into the finishing room, where it is rolled, salted and packed. By noon the work of the dairy is at an end. The whole process, occupying altogether but a few hours, is thus one which depends for its excellence on a combination of expert direction and good machinery. The manager, who must have had a special "butter" education, is generally assisted by an engineer and half a dozen butter workers, usually women.

The advantages of the centrifugal over the old hand process are thus summed up by a French writer:² (1) More butter per given quantity of milk. Under the old process 30-34 litres of milk were needed to produce 1 kilo of butter;

¹ As I saw it in Ballyrashane, Ireland.

² Tiéfaine, Laiteries Co-opératives, p. 50.

under the new process only 20-24. (2) Better quality. The butter has no impurities; it lasts longer, and is not damaged by the touch of the hands. (However, hand work if skilful may give the butter a peculiar excellence.) (3) Better use of bye products. The skim milk, being better preserved than before, is more useful for cattle food.

In the matter of machinery, Ireland seems to lead the way. The Irish Commissioners to Denmark reported, with reference to a dairy at Haslev by Trifolium: "The Holstein churn was still in use, and in many respects the equipment of this dairy would be considered old-fashioned as compared with most of our up-to-date creameries. Cream ripening took place in large tinned cans and, indeed, nowhere in Denmark has the jacket cream vat, as a means of ripening cream, been seen in operation."¹ At the agricultural school in Askov, I also saw detached hand churns in use for model dairying instruction.

In the one dairy which I visited in Germany, Guntersblum by the Rhine, the case was the same. The statistics² of the Belgian Government shew a far more primitive state of affairs. In all the above cases, the separation of the cream at least is effected by steam-driven machinery, but in most Belgian co-operative dairies human power only is used for all the processes:—

Thus in 1904, of 496 dairies in operation,

150 are marked with "outillage à la vapeur" (steam).

333 " " " " "à bras" (hand).

11 " " " " "moteur à pétrole" (motor).

External organisation is concerned with the conveyance of the milk from the members to the dairy. The proper radius of the dairy society is the point of importance here.

The *sine qua non* for the establishment of a co-operative dairy is the existence of a sufficient number of cows in the district or the assurance that an immediate deficiency in this respect can be quickly made up. The farmers must not live so far from the dairy that the milk supplies cannot be conveyed fresh each morning to the receiving centre. If they

¹ Report, p. 73, fin.

² Expos. Stat. 1904, Chart II.

live too far off the economies of concentrated production will be out-weighed by the dearness and the irregularity of transport; for it is necessary that the milk should be sent in fresh each morning. It does however happen that there are single little farms or small clusters of little farms scattered over the country, which possess a limited number of cows, say 300 or less. These farmers are too far from the nearest existing creamery and are at the same time not numerous or rich enough to build an efficient dairy of their own, costing perhaps £1,000. If they try to gather in neighbouring farmers, they may overlap with an existing creamery, thus creating waste and friction. To obviate this difficulty auxiliary dairies can be established, to perform the preliminary process of separating the skim milk from the cream, which is then dispatched to the central creamery. By this device, the milk is treated while still fresh, and the more valuable extract, which is only a quarter the bulk of the milk, can bear the comparatively reduced costs of long-distance transport, from which it incurs no damage. As an auxiliary costs at most £500 to build, it is within the scope of a poorer association. If its trade grows, it can be connected with an independent creamery. The arrangement of terms between the auxiliary and the central dairy can be settled without difficulty with the help of a chemical expert and a book-keeper.

These auxiliaries exist in most countries. In Ireland the first was established in 1895 and in 1906 there were 70,¹ with a total membership of over 10,000. They are rarest in France, though they occur frequently among the cheese societies in the Hautes-Alpes.

Apart from the device of auxiliaries the size of the dairy tends to depend on the geographical density of the milk supply.

In both Ireland and Denmark, big, middle-size and little dairies occur :—

(a) “ Trifolium, a mammoth society, is composed of 22 large estate owners, each having 100 to 280 cows ” (3,500

¹ Cf. above, p. 104.

in all). This is an extraordinary society, with a constitution only partially co-operative.

(b) "Hedelykke, a typical average-sized dairy, has 210 members" (1,255 cows).

(c) "Aale, in North Jutland, a typical example of the smallest class of co-operative dairy, has 110 members" (655 cows).¹

This gives for the two last types an average of 6 cows per member.

In Ireland (though there is no *Trifolium*) the dairies have on the average more members than in Denmark. However, in one province, Munster, the number of members falls in the majority of cases well below 100.² The number of cows per member seems to be about the same as in Denmark.

The average size of the Belgian dairy is smaller than in Denmark, and the average of cows per head only 2.4.³

In Italy three-quarters of the societies have less than 100 members.⁴

In France the dairies cover a much wider area, the average membership being 540, but the average of cows per member is only 2.38, less even than in Belgium.⁵

In Germany the average membership is 97, a figure which has grown steadily from 44 in 1892. This is explained by the fact that some of the earlier dairies were really small unions of about a dozen big farmers, who made the butter on their own farms. The number of cows per member is also not available, many of the dairies deriving a certain portion of their supplies from non-members.⁶

To resume :

Country			Average membership.		Average of cows per member.
Denmark	-	-	about 150	-	about 7
Ireland ⁷	-	-	159	-	" 7
Belgium	-	-	108	-	2.4
Italy	-	-	80	-	—
France	-	-	540	-	2.38
Germany	-	-	97	-	—

¹ Extracts, in résumé, from Irish Report, 1903.

² I.A.O.S. Report, 1904, p. 74.

³ Expos. Stat., 1904, p. 23.

⁴ Stat. della Soc. co-op. Ital., 1902, p. 179.

⁵ IV. C.N. Arras, 1904. L. Tardy, p. 238.

⁶ Jahrbuch des Reichs Verbandes for 1905, p. 422.

⁷ Auxiliaries separately registered are reckoned as separate societies; cf. above, p. 104.

(2) MARKETING.

As regards the purchase of dairy requirements, there is little to say. If the dairies are sufficiently numerous, they may combine, as in Denmark, to form a dairy equipment supply association, but in any case the society, *qua* society, has no difficulty in buying a good churn any more than a big owner or joint-stock company. The dairies may also, as in Denmark, have a special supply organisation for the purchase of their members' cattle foods. Or they may order these through a general agricultural supply society. In either case the economies are economies of large-scale purchase, common to all consumers' societies.

The marketing and sale of the finished product are the really important points to be discussed under the heading of "superiority in marketing power." We are still, however, discussing the superiority which the co-operative dairy, along with the big private or joint-stock dairy, has over the small home dairy, which it is tending to supersede.

Produce cannot consistently command a high price unless it is of high quality. But produce of high quality may fetch unremunerative prices, if the senders have an imperfect knowledge of the special needs of the market or if their contact with the consumer is obstructed by the interposition of unnecessary middlemen. Moreover, even when satisfactory relations are established with the consumer, the producers may fail to profit by it, if they are inefficient in transport and packing. The co-operative dairy secures cheaper transport rates and better packing. The latter is especially important in butter transport, for if the casks are not properly air-tight, the butter, though first-class when turned out from the dairy, may have lost half its value when it reaches the consumer. Scientific packing and regular dispatch of a uniform quality and quantity can only be achieved through large-scale organisation.

In the perfection of marketing conditions, Denmark is the model for all other countries. Practically all the butter of their co-operative dairies is exported through 9 export federations. Of this output about 98 per cent. goes to

Great Britain, the whole of which is shipped from two Danish ports, Esberg and Kopenhagen, to five British ports, Grimsby, Hull, Parkeston, Newcastle, Leith. Export to a single distant market through a few big channels is obviously a condition of affairs favourable to the attainment of the highest economies.¹

The Danes must federate for marketing, if only for the reason that the officials of a single dairy cannot speak or write English. But in countries where the dairies supply home customers, or at any rate customers under the same Government and speaking the same language, it is a matter for careful balancing, whether the advantages of large-scale organisation within the society, *qua* society, are sufficient, or whether it is profitable to establish a higher body, a selling federation. Independent sale has the advantage of directness and of securing exceptional notice for specially good societies. However, the advantages of the selling federation are very decided :—(1) It avoids the multiplication of selling agents. (2) If well managed, it should be in a position to supply a more accurate knowledge of market conditions, and a steadier, because a wider, outlet for produce. Independent societies are liable to under-cut one another and to accept a lower price than would be justified with a more thorough market knowledge. (3) It can establish a national Trade Brand, which gives its produce many of the advantages of a proprietary article. In the early nineties the best Irish butter was often labelled “Danish,” while the inferior product was left to represent Ireland, which gave

¹ In transit within Denmark itself the co-operative dairies enjoy an immediate advantage which the dairies of other countries lack. The railways are State-owned, and the Government, having no other than the agricultural interest to consider, carries agricultural produce at rates which leave no margin of profit; and in addition it constructs and runs its lines in the way most likely to suit agricultural transport. But in so far as the Government fails to charge interest for its capital, the Danes as taxpayers have ultimately to make this good. Railways in the United Kingdom, being privately owned, must pay their way by higher charges, but on the other hand they do not draw on the taxpayer. It may, however, be contended that a government is likely to work more sympathetically than a private company with co-operative associations.

the Dane an unnecessary advertisement at the Irishman's expense. Inasmuch as butter can be graded within the general guarantee of the national Trade Mark, individual excellence need not go unrewarded.

Most of the societies in Ulster ship direct to Lancashire and Yorkshire, often to consumers' stores there. The comparative backwardness of the Central Butter Agency, which markets one-sixth of the butter only, is due in part to the unpropitious antecedents of the Agency, which was badly conducted in its early years; in part also to disloyalty on the side of the societies. "The societies, by their refusal to consign, forced it from its original position of a commission agency and obliged it in brisk markets to purchase its supplies at firm prices, just like any competing firm of butter merchants, and only when its prices were equal to or higher than those obtainable elsewhere did it 'get the preference.' In dull markets, the creameries made it their 'dumping ground' for butter which they could not sell elsewhere. Frequently butter refused by its competitors was thrown upon the Agency for sale, and in such quantities (and sometimes too of such bad quality) that the low prices which had to be accepted were quoted against the Agency in comparison with those that some societies, more fortunate than the rest, had realised elsewhere."¹

Now Danish experience, which is model, points to federation, but at the same time to elasticity and careful circumscription of functions. For actual business, the Danes have not one selling federation but nine, though they are obviously "co-operative" enough to work through one, if they desired. This means that each federation finds a decided advantage in that close and immediate touch which a district federation can maintain with its members. For general watching of prices, the organisation is a single national committee. Since 1906 the Trade Mark (for bacon, as well as eggs) is not only national, but enforced

¹ I.A.O.S. Leaflet, No. 60.

by law¹ on all butter and bacon, whether produced co-operatively or not.

There are those, too, who think that integration of processes is a natural step in co-operative progress; but once again Danish practice is instructive. The ships, which run between Denmark and England, are owned by private companies, as also are the butter crates, in which the barrels are conveyed from the dairies to the export depôts.²

In a word, the Danes are intensely practical in the division of their work. Butter making and butter packing is the work of the dairy: butter transport and butter selling the work of its business delegates, who readily and effectively act with private concerns, when these latter render specialised services, which they could not render more efficiently themselves.

Other nations, with a predominantly home market, have followed the lead of Denmark in provincial federation for marketing purposes. The dairies of West France send five-sevenths of their produce to the "Halles" of Paris, accounting for half of the 11 million kilos there sold annually. The butter is dispatched twice daily at 3 and 8 in special trains fitted with refrigerator waggons. The dairies of the North supply local markets and in particular

¹ This kind of "governmental interference" is characteristic of Denmark. First, the authorities allowed the societies to experiment with the Trade Mark themselves: when its advantage was proved, they stepped in and gave it their binding sanction. They could do this, because they are an "agri-cultural" government, and because the majority of the produce is raised co-operatively. In other words, they are compelling a few delinquents to come up to the high standard spontaneously established by the co-operative societies themselves. Moreover, the Government does not create Government officials to administer the law, it uses as its officials the Co-operative Trade Mark Committee. By the new law every package of butter must bear the trade mark "DANISH BUTTER," on which is stamped a number, constantly changed and known only to the committee, which enables each package to be traced to its place of origin. Butter sold in Denmark must be sold out of the cask in which it came to the shop, in order to prevent inferior (Russian) butter from being sold out of Danish barrels.

² One may compare with this the Bransby (Yorks.) Co-operative Motor Service, where the society provides the depôt and sees to the collecting of the freights, while the railway company finds the motor and the driver: "The scheme has worked very successfully" (Minutes of Evidence, Small Holdings Committee in Great Britain, Q 6682).

the local co-operative stores, which are sometimes large shareholders. The dairies of Limburg, Belgium, have established at Hasselt a "minque" or special co-operative mart. The members, about 50 in all, guarantee a minimum supply. The butter is either bought outright by the director of the mart and re-sold by him abroad at his own risk or else put up for auction by him as agent, the dairy receiving payment every week after deduction of the costs of sale.¹ Some of the dairies of S.W. Germany appear to have felt the proximity of the towns a strain on their members' loyalty; and unfortunately instead of boldly converting themselves, where necessary, into milk sellers, they have allowed their members to be filched away one by one by local dealers.

Sale on a big central mart, such as the Halles of Paris, has these advantages: it is an assured outlet; there are no bad debts; and the selling agency is easier to supervise. However, where the dairies, as in West France, are alert enough to find a local market, they can probably get a higher price and effect a saving in freight.

II. We have considered the easily demonstrable superiority of the co-operative dairy and its marketing organisation over the small isolated home dairy selling to middlemen. It is even more necessary to measure the difference to the farmer between his position as member of a co-operative dairy and his position as milk supplier to an organisation of which he is not a member, whether that organisation be an ordinary public company or a private firm or a dairy-owning consumers' wholesale. How far is the co-operative organisation socially more beneficial and economically more profitable? The questions are complementary.

Granted the need of dairies outside the farm, granted *i.e.*, the existence of other than very big farmers, who have sufficient milk for a dairy of their own, the co-operative form is more beneficial and more profitable.

The work of the farmer is primarily on his farm. Passing most of his time alone, he acquires little of that specialised

¹ M. Turman, *Les Associations agricoles en Belgique*, pp. 309-314.

business sharpness in driving bargains, which is the very atmosphere in which the townsman lives and moves. When, acting alone, he sells his milk to an independent firm, he is a peculiarly weak bargainer. Ought he then to confine his attention to milk raising, assuring himself of a profitable price for his milk by the formation of some kind of defensive union with his neighbours? No, and for this reason.

The excellence of a country's butter depends primarily on the quality of the milk from which it is made. A private firm cannot concentrate the milk raising at one central point and supervise the farmers, as it can supervise its butter operatives. All it can do, when poor milk is sent in, is to pay a lower price for it. But the co-operative society, which combines both functions, is interested in telling its members how to raise better milk, because not only, as a butter factory, does it desire good material for its factory, but also, as a society of farmers, it desires that the milk shall fetch a good price. Both the co-operative society and the firm are trading bodies, and they will not pay the farmers more than their milk is worth. But, whereas the firm's remedy is to punish the farmer by the payment of low prices, the society's remedy is to educate him so that he may command high ones.

This education is as much by example as by precept. The committee men of a co-operative dairy tend to be the most progressive farmers in the district, and through the dairy their example permeates to their less intelligent neighbours. Chiefly, if not only, through the *esprit de corps* of co-operative association can the small farmer, who in virtue of his position must work at home without supervision, be trained out of his unbusiness-like and untidy habits (he is generally prepared to be industrious of his own accord) up to regular and clean methods of cow-keeping.

In a dairy, even more than in an egg or poultry society, the value of *esprit de corps* is patent. "It is the interest and should be the duty of every milk-supplier to a co-operative creamery not only to send in pure milk, but to see that his neighbours do likewise. When any milk-supplier is careless or criminal enough to neglect the observance of the

foregoing rules, the whole force of the organised public opinion of the members of his society should be brought to bear on him until he either mends his ways or is pointed to as the only hopelessly dirty member of the community."¹ In other words, the egg-supplier might plausibly retort that the condition of his eggs was nobody's concern save his own, but the milk-supplier cannot. For just as the weakest link is a measure of the strength of a whole chain, so the worst gallon of milk is in danger of tainting the whole butter product.

It is for this reason that an intelligent farmer may find that for the moment all the subsequent advantages of co-operative manufacture and marketing are outweighed by the mixing of his milk with inferior sorts. Possessing, say, a specially fine breed of Jersey cows, he may reasonably consider that, until the average of the creamery levels up, it pays him better to produce his own particular brand of butter at home, adding that touch of individual speciality which any organisation must find it difficult to reproduce. How soon he will come in must depend on two things: first, on the public spirit he is prepared to show in pioneering the levelling up process and attaining for himself and his neighbours co-operative economies at the risk of immediate loss to himself; secondly, on the efficiency of the method of payment for the raw milk. Payment by the gallon, regulated by the percentage of butter fat in the milk, is the most scientific method and it obtains generally over Europe.

It is difficult to measure precisely in terms of cash the superiority of the co-operative over the proprietary dairy. In the first place, the costs of production vary from district to district; and where as often happens the co-operative dairies are clustered together in one district, it is unsafe to compare them with the proprietary dairies of another.

Secondly, while the price paid by the proprietary concern for the milk is the full measure of the farmer's remuneration, the price paid by the co-operative dairy may be only a first instalment. The latter for convenience sake usually pays

¹ I.A.O.S. Leaflet, No. 2.

the same price as its rivals ; but it may also from motives of prudence pay part of this price in the form of an enlarged dividend at the end of the year.

Thirdly, even were the *actual* surplus calculated in full, this would not necessarily be equivalent to the differential loss which the farmers would have suffered, if there had been no co-operative dairies there at all. For example, in Denmark, where there are a few proprietary beside a large number of co-operative dairies, the former are practically forced to keep their milk price at least up to the level of the latter's.

However, it is interesting to note the following estimate of the pecuniary superiority of the co-operative dairy :—

“ In the Charentes and Poitou, the establishment of the co-operative dairies has raised the price paid for milk by .03 of a franc per litre above that previously paid by the proprietary dairies. On each cow per year, the average yield being in this district 1,900 litres, the total increase of return amounts to 57 francs.”¹

Secondly, in addition to better payments the members of the co-operative dairy receive back the bye products—skim milk and butter milk—for feeding purposes. Whether these are returned free or re-sold at a fixed charge, the supplying farmers derive the benefit. Sometimes in France and Belgium a pig-house is kept, as an adjunct of the society, for the consumption of the bye products on the spot. But the profits under this head are found to be precarious ; if one pig becomes diseased, all the rest are immediately infected. It is a moot point whether high-class cattle can be reared on skim milk plus other foods. The Danes have contended that they can, but in Ireland “ creamery calves ” are byewords.

Finally—and this in measure sums up the other considerations—co-operation makes a connected unity of the farmer's work. Along with other forms of co-operative society, the dairy provides a centre point about which the small farmer can systematise and co-ordinate his farming ; it

¹ Tiéfaine, *op. cit.*, p. 131.

makes a channel through which improvements can reach him.

Hence the co-operative dairy is a peculiarly suitable medium of instruction: and if, as is the case in Europe, Governments are determined to spend money on the technical instruction of the farmer, they cannot do better than use the co-operative dairy or its equivalents. For the organisation is already there, testing and improving; and being self-created it commands an amount of confidence, which is essential to successful instruction and which governmental institutions, imposed from above, strive in vain to win. So long as governmental assistance is supplementary and indirect—demonstrations, shows, free inspection and grants in aid of model appliances, rather than outright bonuses to the agriculturists—the co-operative society can make itself the ally of the Government without serious apprehension of damaging its spirit of independence.

III. Constitution of the Co-operative Dairy.

The pillars of the constitution are three:

(i.)—*Division of profits.* On this point all countries are practically agreed: a fixed rate to capital, where shares exist, and the remainder, after provision for the reserve fund, to the farmers, proportionately to the raw produce supplied. In Ireland and the Latin countries, the employees frequently share in the profits at a rate in the £ calculated on their wages, equal to the rate realised by the members on their trade. This practice, which is confined to countries with traditions of industrial copartnership, is more a historical accident than a divergence of principle, for in these same countries the employees in the more recent types of sale societies receive nothing but their wages. However in a dairy and still more in a bacon factory the arguments for the device are not negligible.

(ii.)—*Provision of capital.* Here there is in practice important divergence.

In Ireland, where limited liability is prescribed by law, the main part of the capital is raised by shares, which give the right to a vote in the management. They may be held

by the milk-suppliers themselves, or by societies, co-operative agricultural societies and co-operative town stores, or by private individuals. The latter are generally local sympathisers, who wish to give the society a good start. Every milk-supplier is required to take up at least one share, value £1, of which 5s. is paid on application and the remainder at the discretion of the committee after due notice. Members may elect to pay up their share in full at any time. To the end that the society may, if necessary, be able to raise loan capital (at a rate limited to 5 per cent.) each member is required to take up loan guarantee shares, equal to the amount of his nominal holding. 1s. is paid up; and the rest only on the voluntary or compulsory winding up of the society. On these shares no interest is paid. Arrangements have been made with the joint-stock banks for granting overdrafts to the societies at a uniform rate of 4 per cent. on the "joint and several securities of the members." The banks prefer this to a corporate security, because it enables them in the event of a society's dissolution to sue the richest member for the whole loan, leaving him as best he may to recoup himself from his poorer fellow-members. This provision, which sometimes frightens away the richer farmers, has been unsuccessfully objected to by the Irish Agricultural Organisation Society. The danger, however, shews itself in practice to be quite nominal.

In Germany, where the majority of the societies (in 1905 1,834 out of 2,832 or 64.8 per cent.¹) have unlimited liability, share capital is raised by shares in the same way, save that societies do not occur as members. However, this is more than made up by the loan facilities afforded by the Neuwied and Darmstadt credit unions. The Preussische-Central-Kasse makes advances at low rates, based on the previously ascertained credit worthiness of the individual members, provided that the societies are joined in a central union.

In Denmark, on the other hand, *all* the dairies work with unlimited liability. The original funds for the equipment of the dairy are borrowed from a private bank and repaid

¹ Jahrbuch des Reichs-Verbandes, 1905, p. 15.

by instalments. The working capital is provided by a premium of (say) 15s. per cow owned, on which no interest is paid. When the original loan is paid off, a new loan is taken out from the bank at the same rate of interest, and is charged upon the working expenses of the society, including both original and new members. The money thus obtained is handed over to the original members, and then all alike proceed to pay off the new loan : and so on through an indefinite series of loans and repayments.

The object of the device is this : old members, who had borne the expense of the original loan, would naturally not admit new members to joint ownership in a property to which the latter had contributed nothing, while new members would not always be prepared to pay down at once into the reserve fund a sum equal to the individual outlay of original members. However, a new member is at any time admitted, if he is prepared to pay down, beside his premium per cow, a subscription corresponding to the amount which, at the time he happens to join, is paid off on the debt of the creamery.¹ The loans are obtained at an average rate of 4 per cent. from the municipal savings banks or from private provincial banks.

In France² the majority of the dairies are also formed without capital shares. As in Denmark, the funds are raised by loans bearing about 4 per cent. partly from the richer members of the society and partly from private banks. The plan of making new members pay entrance fees proportionate to the amount of the loan already discharged has apparently been found quite workable in practice.

(iii.)—*Control of the milk supply.* This is the most important article in the constitution.

In Denmark, the statutes of a dairy invariably open thus :

“ We, the undersigned proprietors of milch cows in the ——— and neighbourhood, declare hereby that we have united ourselves to establish a co-operative dairy . . . and

¹ Cf. Irish Com., p. 79.

² IV^o. C. N. Arras, M. Tardy, p. 233.

bind ourselves hereby as shareholders in the same by an undertaking duly signed by us, in accordance with the minutes agreed to by the provisional committee, for a period of X (7 to 20) years to deliver to the proposed creamery the milk of the whole number of milch cows which at all times we may have in our possession, with the exception, however, of the milk which may be required for household purposes, as well for our own as for other households in our own district." Disobedience is punished by a fine per gallon of milk withdrawn, so heavy in amount and so rigidly enforced, that disobedience is unprofitable.

In Ireland a similar provision has been objected to by the Registrar as being in contravention of the law.¹ This ruling has indirectly strengthened the attempts of proprietary concerns to draw away the farmer's custom by offers of slightly higher prices. In so far as the dairies were in a position to make a reality of this regulation, the inelasticity of the law, as interpreted by the Registrar, is a regrettable hindrance.

In Germany and other countries the Danish regulation is usually introduced in a modified form. But it does not appear that the regulation is in practice strictly enforced. This is not a mere fault of management. For unless there is among the members, as in Denmark, a strong corporate loyalty backing up the dairy, strict enforcement would merely lead to the dissolution of the society. Geographical conditions favour strict control in Denmark, because unless the milk is made up into butter for foreign export, it cannot be disposed of at all. ²In North Germany, where the dairy organisation is sometimes merely a marketing channel for private dairy owners, the guarantee concerns loyalty to the central selling agency. Thus since 1890 the Königsberg society has ruled that the whole of a member's butter must be sold through the agency, unless sent direct to special customers, sale to wholesale dealers being absolutely pro-

¹ Cf., however, Legal Appendix, p. 368.

² Dr. F. Müller, *op. cit.*, p. 388.

hibited. In other cases members must dispatch a certain percentage of their output through the co-operative channel.

It is noteworthy that while in other countries the remaining articles of the constitution are themselves concerned with the technical observance of a more or less complicated law, in Denmark the dairy, unhampered by legal technicalities, introduces into its rules strict regulations concerning feeding, milking, etc., which are elsewhere left to the less certain influence of moral pressure and supplementary leaflets. Thus in Denmark it is generally enacted that dirty feeding or adulteration shall be punishable by fine and expulsion.

CHAPTER VII.

CO-OPERATIVE CHEESE-MAKING AND THE "FRUITIÈRE."¹

As a Branch of Dairying—In a Special Society: "Fruitière"—Antiquity of the latter—Primitive and Modern Types—Modern Tendency to Non-Co-operative Form: perhaps due to Nature of Cheese, Local Weakness—Probability of Return to Co-operation.

THE different terms, "fromageries" or "chalets" (Switzerland), "fruitières" (East France), "burons" (Auvergne), have all the same meaning—cheese factory; when an association of farmers owns such a factory, the association is called indifferently a "fruitière" or "fromagerie."

In Denmark, Germany and Italy there is a little cheese made in most of the co-operative dairies. This combination has certain advantages:² if all the milk is made into cheese, the farmers get back no skim milk for use as cattle food; milk from very young or very old cows may be suitable for butter, but totally unsuited for cheese; certain kinds of cheese (*e.g.*, "demi-gras") require partial separation of the cream, which thus remains over for butter-making: finally, the combination gives steadier employment throughout the day to the workers.

It is different, however, with the French and Swiss societies, which are exclusively concerned with cheese-making and which date back to the thirteenth and fourteenth centuries. The present condition of these societies and their relation to the rest of the co-operative movement are one of the surprises of agricultural co-operation. Older by five hundred years than the rest of the co-operative movement,

¹ The origin of the word "fruitières" is disputed. It is either a corruption of "frétières" (fret=cheese), or it comes from the Latin "fructus," the word employed in many Latin deeds for the cheeses owed as rent by the tenants of Alpine pastures.

² Cf. Malherbe, *op. cit.*, p. 14.

closely akin in form and substance to the greatest of co-operative successes, the dairy, might they not have been expected to be models and leaders in the general expansion of co-operation? Instead, they present the opposite picture of a reversion back to the non-co-operative form, from which their brethren in other departments of agriculture are striving to emerge.

This primitive form of association, which survived till within the last thirty years, was crude enough. Ten or twelve farmers joined together and employed the services of a "fromager," or cheese-maker, often a veritable despot, who in turn went the round of the members' houses with his "chaudière" or copper and there made into cheese the milk accumulated among the members since the last time of making. The farmer, at whose house it was made, had to provide wood, and pay the cheese-maker: in return he kept the day's produce of cheese and a little cream from which to make butter. Each member sold his cheese privately and accounts were kept by means of an "ouche" or tally, one side marking the milk of the other members used at his house, the other the milk supplied by him to them at their houses.

Three different systems prevail at the present day: (1) The "fruitière au petit carnet" (literally, cheese society with small entry-book). The society has its own premises and equipments, but is managed as of old, save that a book is substituted for the tally, reading now being an accomplishment of the farmer. This method, like its primitive ancestor, is obviously insufficient. The smaller members are apt to get their "turns" (*i.e.*, to have their house chosen for the making of the cheese, which they keep) in the winter months when the milk is poor. The cheese-maker has too great a chance of being corrupt and of favouring some at the expense of others. For these reasons the "fruitière au petit carnet" is disappearing. (2) The "fruitières en grand carnet" (literally, cheese societies with big entry-book). The cheese belongs to the society and is sold by it, the "tour" or turn only signifying a right to a portion of cream and to the bye-products. (3) The "véritables fromageries

co-opératives" (genuine co-operative cheese societies). There everything, as in the co-operative dairy, belongs to the society. This form is specially predominant in the Doubs, France.

Many societies of each class keep pigs to utilise their bye products.

Under the influence especially of the syndical movement the "fruitières" have made great progress in the methods and equipment of production, but with this progress the co-operative "production" is tending to disappear.¹ "It would appear—and the agriculturists of these regions certainly share the opinion—that the retrogression of the idea of association has induced material progress."² The converted "fruitières," which are now only "fruitières à vente de lait," are of two kinds. Either the members own the cheese factory and equipments, and install in it a cheese-maker, who takes over the milk at an agreed price and sells the cheese at his own risk. In this case "the industrial (*i.e.*, non-co-operative) part of the business extends to the manufacture and sale of the produce." Or the members are nothing but associated milk suppliers. In this case "the industrial (*i.e.*, non-co-operative) personage is not only the manufacturer and salesman, but also the owner of the establishment and its equipment."³

As early as 1900 this change was almost complete in the Haute-Savoie. M. Tardy, in his Report for 1905⁴ writes: "The 2,000 Swiss 'fruitières' are almost all converted into societies for the sale of milk. The 'fruitières' of the Haute-Savoie in great part also: and the number of 'fruitières' thus transformed has been increasing with like rapidity for the last five or six years in the Jura region." At the same time it is generally admitted that the farmers under the new system make more profit out of their milk.

¹ This leads one to entertain with caution the hope expressed in England that our cheese-making may be done co-operatively "as in Switzerland and elsewhere." (Minutes of Evidence before the Small Holdings Committee in Great Britain, 1906 [Cd. 3278], Q. 773).

² Class 104, *op. cit.*, p. 181.

³ Malherbe, *op. cit.*, p. 12.

⁴ V.C.N. Périgueux, p. 162.

Why then is cheese non-co-operative as contrasted with butter?

The conditions of production are in both cases so similar that it is hard to imagine any fundamental cause connected with the nature of the products. Perhaps the fact that some cheeses, hard cheeses (*e.g.*, "Gruyère"), have to be stored a long time before sale, makes the financial operations more difficult for a co-operative society. It is noticeable, however, that in Holland,¹ the proportionately biggest cheese-producing country of Europe, more than 80 per cent. of the cheese is made *neither* in co-operative *nor* in "industrial" factories, but on the farms (in 1895 45 out of 55 million kilos). This would suggest that some important cause of centralised production is lacking, which temporarily outweighs the obvious large-scale economies of employment, marketing and bye products.² The missing element is perhaps the use of steam as a motive power, which is required in butter-making for pasteurisation of the cream, but not for the "cooking" of cheese in the copper. The full cost of an average-sized cheese factory is only £300.

Or is the difference due to local weakness? M. Chevalier suggests³ that the population of East France is opposed to the idea of association. It is doubtful if this is true and in any case the cause hardly applies to German Switzerland, the centre of the converted "fruitières" and at the same time of the East Swiss Union. In early times, he continues, the farmers had to associate, because there was no other way of making cheese. Now that the independent cheese-maker can do this well, they are only too glad to escape the risks of production and to get instant payment for their milk.

Perhaps the real cause is mainly historical and the retrogression temporary—an unconscious "*recul pour mieux sauter.*" The old "fruitière" of mountain peasants is really a relic of the days when the commune was the centre of economic life. It is now passing through the dissolution,

¹ Malherbe, *op. cit.*, p. 62.

² Such, for example, as the extraction of lactose and starch.

³ Class 104, *op. cit.*, pp. 180-1.

which affected the men of the plains long ago. But during this same time it is feeling the breath of modern agricultural organisation and using one of its weapons, the syndicate.¹ The converted "fruitières," with old traditions of association behind them, still retain their association, as a band of milk-sellers: and this association, which might otherwise be a half-way house to complete isolation, is held together by the syndicate, indirectly or directly. Thus constituted, the milk-suppliers feel strong enough, if not to dictate to, at any rate to bargain on equal terms with the cheese-maker. But it is not impossible that the cheese-maker, now free, will proceed in time to a more centralised form of large-scale production. In this case one of two things will happen. Either the rather delicate equilibrium will still be maintained: the farmer syndicated *versus* the cheese-maker manufacturing on a large scale and possibly acting in agreement with others of his class: or else the cheese-makers will be too strong for the syndical organisation and force the farmer at the penalty of being their humble subordinate to revert in defence to the co-operative organisation which they have lately abandoned, and to fight "industrial" production with the same weapon with which the dairy farmers of Northern Europe have gradually emerged to co-operative victory.

¹ The "fruitières" of Jura are banded together in a syndicate. Cf. above, p. 124.

CHAPTER VIII.

OTHER FORMS OF CO-OPERATIVE PRODUCTION.

I. Meat—Danish Bacon Factories. II. Spirits and Wine: Sugar—General Obstacles to further Co-operative Production.

THESE societies fall into two categories, (I.) those connected with meat, (II.) those connected with liquors, namely wine and spirits, to which must be added a few scattered societies such as sugar refineries, oil factories or societies for the preparation of silk-cocoons.

I. Two kindred forms of association, which, not being normal "business" or commercial associations, fall outside the domain of co-operation, as we have defined it, are concerned with the treatment of live-stock. (i.) The cattle insurance societies ("mutualités"), which are of parish area and composed of small farmers, occur in most European countries. By mutual knowledge and supervision, the members can avoid certain of the risks which the private insurance company has to cover by heavy premium charges. But, although they effect the same order of economies as the co-operative credit bank, they do not undertake a recurring commercial function: they make provision against exceptional accidents, rather than officiate in the regular course of production. (ii.) The cattle-breeding societies, which are especially frequent in Denmark and Switzerland, certainly provide for continuously recurring needs, and have therefore a stronger claim to inclusion. But they may be omitted as being on the border-line between commercial undertakings and improvement societies, like the bee-keeping societies of Ireland and certain of the special French syndicates; and, in virtue of their latter aspect, they are frequently helped out by Government prizes or direct assistance in the provision of bulls.

The type of society, which is strictly co-operative, is the Danish bacon-curing factory, which cures its members' pigs into bacon and sells the product on the open market. Their success has been notable, despite the expensive nature of the operations and the peculiar difficulties of the bacon market. Quite recently¹ in England they have broken down the ring of bacon merchants and established here an agency of their own. The fight involved temporary losses, amounting to as much as £3,000 in the case of individual societies. In no country outside Denmark could such a strain on co-operative loyalty have been so successfully supported by peasant farmers, in pursuit of ultimate independence in a foreign market.

The preparation of beef and mutton does not generally involve treatment in a common factory. Perhaps the absence of this concrete bond, together with the higher value per unit of the product, accounts for the comparative failure of the attempt at co-operative meat-selling in Germany and Switzerland.

II. M. Berget² submits three reasons why the co-operative manufacture of spirits is easier than that of wine:— (1) The process is more simple and the utensils employed in the house can be economically employed in the society's factory; (2) the valuation of the raw materials of spirit is less complex, because less variable than that of grapes; (3) storage is less risky, because the product is less liable to depreciation. It is certainly true that, whereas the German distilleries have successfully supplied an open market, the vintries have had little success, except in the provision of a cheap uniform wine for the guaranteed demand of co-operative stores.³ But both wine and spirits are still non-co-operative productions in the main. In proportion as the commodity itself is variable and, like many wines, requires a blend of several qualities drawn from different areas, it must for long remain difficult of treatment by a local association of small agriculturists.

¹ Information privately supplied by Mr. R. Schou, Danish Government expert.

² *Op. cit.*, pp. 552-3.

³ *Cf.* below, pp. 344-5.

There are few co-operative sugar refineries because sugar-growing is a cultivation, which, chiefly from the amount of capital involved, is carried on in large farming districts; so that the big farmers or companies have their own refineries and, if they combine at all, combine in a national selling Kartel, such as that recently established in Germany.

One reads occasionally of a co-operative oil factory or silk cocoon society and of other forms of co-operative production which are connected with the cultures of small farmers; but they are too rare and immature to provide materials for analysis. It is probable that the two obstacles most frequently ascribed to them, the difficulty of the material and the lack of co-operative character among the farmers, react on each other very considerably. It is pertinent to note that the Danes developed their co-operative character in that form of production most suitable to co-operation, namely dairying, before proceeding to the more difficult tasks of bacon-curing and fruit¹ preparation. How far the farmers of Southern provinces, who happen to lack this preliminary field of co-operative training, will be able to educate themselves directly up to the more difficult achievements, only the future can decide.

¹ Cf. below, pp. 182-3.

CHAPTER IX.

CO-OPERATIVE SALE.

Three Types of Selling Organisation—(i.) Danish Egg Selling Association—Predominant Position of Central Body—Contrast Irish Egg Societies—Similarity and Difference between Egg and Fruit Selling—Fruit Society at Odense : Cause of Success—D.A.A.E. the model for Co-operative Sale of Small Products of Farm generally. (ii.) Corn Societies of Germany—Danger of Government Assistance—Three Forms: Raiffeisen, Haas, Independent—Difficulties of Corn Selling—Co-operation only Successful under an Obligation to Deliver (*Lieferungs-Pflicht*)—Commission Selling *v.* Outright Sale—Condition of Latter's Success. (iii.) The French Syndicate—Weakness of the Syndicate as a Selling Body—Remedy: Co-operative annexe, as in the Special Corn Societies—Similarity of French and German Experience—Governmental assistance; Decree of 1905—*Cf.* Italy and Germany—Syndical Fruit Selling, also Developing in a Co-operative Direction—Significance of the Syndicate in the Growth of Co-operative Sale—Conclusion.

THE constitution and operations of a co-operative dairy are more or less the same everywhere. But the problems of a co-operative sale society are apt to vary according to the nature of the commodity sold. We shall examine here three types of selling association, the Danish egg-selling organisation, the German corn society, and the French syndicate: outside of these co-operative selling, apart from the sale of produce already co-operatively transformed, is as yet very little developed in Europe. Corn selling provides the most important function of the syndical organisation, so that in France and Germany the problems of co-operative sale are similar. But it is unsafe to test these two countries by the experience of Denmark, until we are sure that it is the co-operative ability of the Danes and not the nature of eggs, which makes their peculiar organisation possible.

The peculiar difficulties of co-operative egg-selling are two. (1) Eggs are generally a bye product and the perquisite of the farmer's wife, who feeds her several dozens of poultry on the scraps of the farmyard without any specially bought food. She is apt therefore to regard any returns from her eggs as pure profit and to feel thankful for this

pocket-money without knowing or enquiring whether she is receiving the best possible price. (2) The egg-forwarding business does not necessitate a big initial outlay like dairying. Consequently any private huckster, especially if he is backed by a town firm, can encroach upon an egg society's district, tempting the credulous housewife with offers of temporarily higher prices, which are reduced as soon as the society is crushed or recouped out of farmwives in non-society districts. The main difficulty in Denmark is not to sell the eggs, since co-operative eggs from Denmark hold a first place on the English market, but to obtain them in sufficient and steady quantities from the village districts, where nearly every local store, co-operative or private, is a receiving centre.¹

A closely knit organisation, which is locally inexpensive, is therefore required: and to this requirement, the Dansk-Andels-Aeg-Export (Danish Co-operative Egg Export Association) exactly conforms. The cleaning, testing and grading is all done at the central warehouse at Kopenhagen, the separate societies having no premises beyond a collecting yard and the collection being frequently done by private agents.² The members of the affiliated societies bind themselves to send all their eggs to the Aeg-Export, though they may terminate membership at the close of each year. The financial position of the Association is now very strong. It has already returned to the members the guarantee papers on which the original loans were obtained and amassed a reserve of £10,000. The Association buys outright from the members at wholesale prices, paying equal rates for large and small quantities.

Thus the separate societies stand to the Central Association rather as auxiliaries to a central creamery than as independent dairies to an optional federation. In Ireland on the contrary, the dozen or so egg societies (of which two do one-third of the total trade) have begun by trying to do

¹ Information supplied by Mr. Gray, manager of Danish Aeg-Export.

² Individual quality is controlled by a stamp, bearing two numbers, one of the farmer, the other of his society, which he puts on the eggs before delivering them to the local society's collector—all the numbers being recorded at the Head Office, Kopenhagen.

their own marketing : and, though they have established in 1906 a central selling federation with similar obligations to those prevailing in Denmark, the fact remains that, unlike Denmark, the separate societies came first and are therefore unlikely to work so completely under the guidance of the federation. Moreover, while the Danish peasants owe the whole of their stable organisation to their own unaided efforts, the Irish societies are rather shaky, the best, Dervock, only surviving its first years through the assistance of an I.A.O.S. expert.¹

There is no exact parallel in other lands to the Danish egg-selling organisation. The nearest is the Union of East Swiss agricultural societies, in which the relation to the central organisation is just the same. But these are primarily supply societies : and the wine and fruit sold through the central society at Wintherthur are bought in part for re-sale to other members of the Union. The success therefore of these selling operations may be ascribed partly to the organisation of "production" from the standpoint of the consumer, and partly to the predominance of the central society.

The co-operative sale of fruit and eggs in France is conducted through the syndicate, along with that of other commodities. We shall observe its difficulties in discussing the syndical sale of corn. The fruit societies of Germany are only improvement societies. Dr. F. Müller,² writing in 1900, says : "The further tasks of co-operative sale and the co-operative manufacture of preserves are not to be thought of yet."

Where fruit-growing is not, as it frequently is in Switzerland, a subsidiary operation, but the main business of the farm, and where fruit is grown chiefly for manufacture into preserves, each district would naturally tend to have its own factory, selling the final product through a central federation. Fruit-selling would then be passing into the sphere of production, requiring an organisation similar to that of the co-operative dairy. As it happens, the only big co-operative fruit factory at present flourishing is at Odense in

¹ Information supplied at Dublin.

² *Op. cit.*, p. 498.

the island of Fünen, which comprises within a small area the majority of Danish orchards and thus admits of the whole trade being worked by one single society. Amid many continental failures, Odense stands out as an isolated success. The cause of this success is the peculiarly strong co-operative feeling among Danish peasants; and the practical expressions of this feeling are, first, their readiness in subscribing capital, but, secondly and chiefly, the establishment and enforcement of the regulation, that the whole of their members' fruit shall be sent to the society's factory.

It appears therefore that egg-selling lends itself readily to close centralised organisation, especially in Denmark, where agriculture is homogeneous and almost every farm keeps poultry. At the same time it should be remembered that co-operative success in the allied department of dairying had already trained Danish peasants in co-operative loyalty. But co-operative fruit-selling, unlike egg-selling, is likely to develop into co-operative production, in which case the single independent societies, selling through a central federation, are more suitable: although here too an assured supply from the societies to the central selling body is a condition of success. Where, however, the fruit (or vegetables) is sold for immediate consumption, it seems desirable that the central body—national or provincial according to the extent of the fruit-growing area—should occupy a more commanding position over against the local groups. For, unless there is this central body to supervise and guarantee the grading of the fruit, co-operative fruit-selling will always stumble up against weaknesses such as that of which the Boerenbond in Belgium rather hopelessly complains, namely, that the peasants, whose potatoes it tries to market in the towns, send it only their worst potatoes with the exception of a few specimens, which they carefully arrange at the top of the sack.

In the strong central organisation we have in fact the model for the co-operative sale of the small products of the farm, in particular poultry, fruit and eggs. These products are of small value per unit and different specimens are of

unequal worth, so that the selling price is not easily ascertained by the farmer. Expert sale is needed, but the commodities will not support experts for each locality. The central organisation relieves the farmer of selling functions for which he is unfitted, and leaves him that for which he is fitted, namely to raise good produce—eggs or fruit—clean it and send it to the *depôt* in a waggon. The farmer has no longer any need to visit the town in search of customers and incidentally to spend much money in getting drunk. He has no occasion to insult his neighbours by bragging about the bigger price he pretends to have got for his eggs or his plums, or to make of secrecy that fine art which our English farmers cultivate at the cost of mutual suspicion and ill-feeling.

The corn societies of Germany¹ are as yet imperfectly developed. In 1903 out of a total output of 90-100 million quintals not more than $3\frac{1}{2}$ millions were co-operatively handled. We have noted² the early mistake of the Governments, especially Prussia, in over-lavish financial assistance. This mistake is being remedied now: the corn societies are encouraged to begin on a small scale, with a small store-room, perhaps even none at all, and only when the membership has been consolidated, to proceed to a big corn-house.

How far does the German corn society, if intelligently worked on a self-supporting basis, afford a model form of co-operative organisation?

The Raiffeisen and Bavarian plan of selling corn through the organisation of the credit bank³ has these two advantages: (1) The organisation of the bank being already there, the initial steps of corn-selling are easy and inexpensive; (2) since members frequently require loans on their corn, the bank is close at hand to supply the needs. But it is doubtful whether a bank with unlimited liability is fitted to assume the risk of corn-selling and whether, being chiefly occupied with its own work, it is able to control adequately the actions

¹ Cf. Dr. Grabein, *Stand und Erfolge des gen. Getreide-Verkaufs in Deutschland*, Darmstadt, 1903.

² Cf. above, pp. 86-9.

³ Cf. above, p. 88.

of the corn-house manager and of the supplying members.¹ The Haas system of attaching corn sale to the supply society seems more advantageous. Like the credit bank, the supply society is already there and it usually operates with limited liability. Furthermore in small farming districts the corn trader is often also a dealer in agricultural requisites, and unless the farmer will take his wares, he often refuses to take the farmer's corn: the supply society, having taken over the work of purchase, is therefore naturally called upon to take over the work of sale. Where, however, the farmers, as in the N.-E., feel strong enough to organise an independently operating corn society, they should be able to face more decidedly the main difficulty of co-operative sale, which is as follows.

Owing to variations in the harvests and the presence of foreign supplies, corn-selling is a highly specialised and necessarily speculative business, demanding in a co-operative organisation an expert and loyally supported directorate. But at the same time corn is a main crop on which the success of the farmer depends. The question is—shall there be a “*Lieferungs-Pflicht*,” *i.e.*, obligation laid upon the farmer to deliver all his corn to the society? Unless there is, the society cannot reckon up its supplies before hand in order to secure favourable contracts in advance: it becomes a bidder for corn, just like the private dealer, with the added disadvantage that it cannot bid outside its own members. But the farmer, especially the big farmer, is peculiarly loth to trust the whole of his year's work to an organisation, which, he imagines, must frequently be less shrewd than himself.² It seems clear, however, that, if the society is not to lead a precarious existence,

¹ In 1901, the corn house at Strasburg, owned by a group of Raiffeisen credit banks, collapsed owing to the dishonesty of the manager, who decamped to the Argentine, and to insufficient control over the farmers' supplies. The constituent societies became liable for a heavy deficit: the Central-Kasse at Neuwied, which held only loans adequately guaranteed, stood to lose nothing, but voluntarily paid off some of the debts to save the societies involved.

² The Irish Flax Societies (see p. 104), which are selling societies of the nature of corn societies, have had to report (Flax-Growers' Conference, Londonderry, July, 1906—at which I was personally present) just this very difficulty in connection with their Belfast Flax Agency.

as a seller of occasional remainders, the obligation must be enforced. If there is no obligation on the farmers to deliver, the society cannot possibly undertake an obligation to accept, so that the farmer may find his corn thrown back on his hands at a time when the opportunity of a favourable deal has been lost.

Granted the necessity of the obligation to deliver, ought the society to act as a commission agent or to buy outright? The problem is not a choice between equally desirable alternatives, but rather, whether the society is sufficiently developed to bear the risks of outright purchase. Several forms of commission selling actually prevail. In the small farming districts, especially Wurtemberg and Bavaria, the selling organisation acts as a mere agent, not paying the farmers until the corn has been actually sold. The system however places a strain on the credit banks for loans in anticipation of sale. To avoid this difficulty, other organisations pay three-quarters of the estimated value outright, the remaining profit or loss being distributed among members at the end of the year in proportion to the value, as previously estimated, of the corn delivered. Other organisations adopt the "conto a Meta" system, under which the society takes the corn from the member at the actual market price of corn (not at its own valuation of what the particular lot will subsequently fetch), on condition that he shares half the resultant profit or loss. However, as this means that the different lots must be kept separate, the system is very difficult to work and indeed in practice but little used.

It is clear that outright sale at market price is the most desirable form of bargain from the standpoint of the individual farmer, especially if his society can through the economies of co-operative organisation secure for itself a profit, which will be returned in part to the supplying members in proportion to their deliveries. From the standpoint of the society, it has the advantage that it enables it to be on an equality with the private dealer in the offer of a definite price: and further that it enables the manager to sell his stock how and when he likes without the intervention of a "Taxe-Kommission," or Price Committee, at which the

farmers concerned decide whether the proposed deal is good enough. But in the first place the society can hardly support the risks of a fall in price between the time of purchase and re-sale, unless it is able to average these by commanding the whole of its members' supply; and in the second place it can hardly survive the attempts of members to snatch a temporarily higher price by hurrying on their crops and flooding the warehouses at irregular moments, unless they are sufficiently interested in their society to regard it as their own creation and not as a charitable endowment by the State.

Since corn requires local handling in a somewhat expensive local warehouse, since the bulk of German corn is sold locally on different home markets, unlike Danish produce, which goes to one foreign market, since finally, its quality can be reliably ascertained without the proprietary stamp of a particular reputed association, its co-operative treatment does not invite centralised organisation on the lines of the Dansk-Andels-Aeg-Export. It is possible that in the small farming districts of the S.-W. provincial dépôts may render useful services. If ever a national organisation should be consummated, its main object would hardly be to handle corn more efficiently, but rather to operate restrictively on the principle of the Kartel behind a protective wall. Such a consummation is alien to the atmosphere of co-operation.

In France, the syndicate provides the organisation through which all departments of co-operative sale, corn, fruit, vegetables and wine¹ are conducted. "After a number of attempts," writes M. le Comte de Rocquigny, "in which much inexperience was mingled with good-will, one must admit, that if the agricultural syndicate is admirably suited for joint purchase, it is not the same for the sale of products."² Further on³, he gives the reasons: not indeed the lack of good markets, but the impossibility of a body such as the syndicate affording an adequate guarantee of

¹ *I.e.*, wine belonging to farmers, who have their own vintries.

² *Op. cit.*, p. 177.

³ *Ditto.*, p. 178.

uniform quality and prompt delivery; the peasant having a somewhat naïve tendency to imagine that the syndicate ought to serve him as a channel for the disposal of produce rejected by the merchants, his ordinary buyers. Again in Belgium "co-operative sale is still in its infancy . . .; it is at the moment of sale that competition operates most bitterly, that egoistic thoughts oppose themselves to ideas of association."¹

Now the peasant may be naïve and he may be an egoist, but these failings are directly encouraged by the necessary inadequacy of the instrument through which co-operative sale is attempted. Being technically a non-trading body, the syndicate can hardly operate except as a commission agent. Not buying outright, it can rarely enforce its regulations on the farmers: not having a capital fund or regular commercial premises, it can rarely command the confidence of purchasers.

Since 1900² the farmers in certain of the corn-growing districts have deliberately met this weakness by founding side by side with the syndicate or union of syndicates a co-operative society concerned solely with the sale of corn. These societies, which are meeting with considerable success, are as yet big single societies; but it seems probable³ they will develop into provincial selling federations clustering round them local co-operative societies also established *ad hoc*. In this case the local societies would grade and sift the corn, while the federation would secure purchasers and arrange the produce in a form suitable for delivery. So far French experience confirms that of Germany, namely, that societies can take upon themselves the risks of sale only if they control their members' supply.

Just as the workers' societies enjoy preference in contracting for the Government, so also associations of farmers are given special opportunities for supplying corn to the army.

¹ Vanmeerch, *op. cit.*, p. 585.

² *Cf.* above, p. 121.

³ *Cf.* I. Congrès Régional, Bretagne, 1906, M. Courtin, pp. 62-3.

The decree of 1905¹ introduced a form of simplified contracts, which favours direct tenders from agricultural associations. In Italy, where the co-operative sale of agricultural produce is beginning to be developed, similar facilities are given by the law of 1904.² In Germany, especially in Alsace-Lorraine and Bavaria, the corn societies, without special legislation, have been assisted by Government custom.

Meanwhile the co-operative sale of fruit and agricultural produce in general is also developing in France. The first efforts are usually made through the syndicate, which begins by grading produce for sale to wholesale travellers: then the syndicate gets into direct communication with big exporting houses, which are induced to supply special packing material for the farmers: then the syndicate itself provides the packing material and perhaps ventures on a stall in the Halles of Paris: finally, feeling its powers strained, it founds a co-operative annexe, as has already been done at Romorantin and Oran.³

No one could deny that the legal accident of 1884 presented French agriculture with a wonderfully congenial instrument of association. But at the same time the accident has had its disadvantages. Helped out by lenial interpretation, the syndicate has supplied an adequate basis for co-operative supply. As an instrument however of co-operative sale, it has been at once a failure and a temporary bar to superior organisation. For again and again, as appears in the earlier syndical reports, the "uncommercial" (and incidentally loose) organisation of the syndicate has been favourably contrasted with the "material" organisation of the co-operative society, "material," apparently, because it demands from the farmers a financial stake and the definite assumption of business obligations.

It is impossible not to feel that, if the Danes had been faced with the problem of France and Germany, they would have answered them more successfully and more speedily,

¹ *Cf.* I. C. R. Bretagne, M. Rieul Paisant, p. 77.

² *Cf.* ditto, p. 178.

³ *Cf.* V. C. N. Périgueux, M. Laval, p. 112.

by reason not only of their cohesive strength, but also of their power of adapting their different organisations to the special needs of the commodities involved. However, France and Germany are now emerging from the period of confused probation and working out, perhaps on more difficult ground, the lessons of Danish experience. In fact, there seems no reason why co-operative sale should not in the near future be as normal an incident in agriculture, especially small-scale agriculture, as is already co-operative supply.

CHAPTER X.

CO-OPERATION AND THE AGRICULTURAL REVOLUTION.¹

Significance of Agricultural Revolution as regards:—(1) Treatment of the Soil by manures, machinery, specialisation of work—(Co-operation has Equipped the Small Farmer in the First Two); (2) Transformation of the Produce of the Soil—Meaning of “Industrie Agricole”—Difference between “Industrie Agricole” and Rural Factories—Co-operation has given to the Small Farmer a decided superiority in one Branch of “Industrie Agricole,” Butter-making, and has helped him to hold his own in some others; (3) Relations between the Farmer and the Outside Market—Change from Natur- to Geld-Wirtschaft—Co-operation has enabled the Small Farmer to Support this Change—Co-operation and Kartels.

THE birth dates of agricultural co-operation, so far as precise dates can be given, may be summarised from the preceding chapters² thus:—

				<i>Supply</i>			<i>“Production” (dairying being usually first).</i>
Germany	-	-	-	1860 (about)	-	-	1871
Denmark	-	-	-	1866	-	-	1882
Ireland	-	-	-	1890	-	-	1889
England	-	-	-	1900	-	-	1900
Switzerland	-	-	-	1886	-	-	— ³
France	-	-	-	1884	-	-	1887
Belgium	-	-	-	1890	-	-	1889
Italy	-	-	-	1884 (about)	-	-	1884 (about)

These are approximately the birth dates of a movement which in no country shews a slackening, much less an absolute cessation of growth. It is clear therefore that co-operation is no occasional phenomenon, but one aspect of a

¹ Cf. J. Hitier, “La tendance de l’agriculture à s’industrialiser,” *Revue Economie politique*, 1901-2. The term “Agricultural Revolution” has been used in England with reference to the results of the 18th century enclosures. I should call this a preliminary revolution: and I follow M. Hitier in referring the term to the more general and more significant changes in the 19th century.

² Chapters II. and III.

³ The “fruitières” are excluded for reasons considered above, pp. 172-6.

general movement affecting profoundly the agriculture of Europe. Just as the 18th century set in motion that change which we call the Industrial Revolution, so the 19th century set in motion a consequent and complementary change, which we may in like manner call the Agricultural Revolution. It is in the 19th century that agriculture has approximated towards those methods to which the Industrial Revolution has given the name of "industrial": and it is as one of the factors in this approximation that the true significance of agricultural co-operation is seen. For it is co-operation alone which has enabled the small farmer to accommodate himself successfully to the changes forced alike upon all agriculturists.

This approximation and the place of co-operation in it may be traced under three headings, which are, however, to a certain degree interdependent.

(I.) The treatment of the soil.

(II.) The transformation of the produce of the soil.

(III.) The relations between the farmer and the outside market.

(I.) The treatment of the soil.

An observer of agriculture a century ago might reasonably have summarised the differences between farming and manufacture as follows:—farming obeys the law of diminishing returns, manufacture the law of increasing returns: farming is a question of labour, manufacture a question of machinery: farming is a non-specialised occupation, manufacture is a combination of minutely divided processes. To-day all these distinctions have lost, if not their significance, at least their rigidity.¹

The earlier economists were apt to regard the soil as having a "natural fertility," the gift of Providence to be taken or left, but not to be modified beyond certain easily measurable limits; when Nature stopped, Man could not advance save at a quickly increasing disadvantage. But in the thirties the application of science to agriculture by

¹ No doubt they never had as much rigidity as some of the earlier economists gave them.

Liebig and Thaer in Germany, Boussingault in France, and a cluster of lesser names in England, changed the balance between Nature and Man in the latter's favour. Agricultural geology discovered the nature of soils and their requirements. Agricultural chemistry met these requirements by the application of chemical substances. The two together have proved that the point of diminishing return can under scientific treatment be considerably postponed and that the limits of this possible postponement have not yet been reached. Agriculture, in the words of M. Hitier, is still capable of incorporating in the soil quantities of labour and capital which will yield returns that continue to be proportional. A field is no longer the bounty of Nature, but is built up by Man as much as is a wall, composed of materials that are continually being re-arranged and reinforced by manures and chemicals brought from foreign places. A century ago, tillage meant the use of 12 inches of the earth's surface. To-day, the plough turns up from one to five feet of earth according to requirement. Certainly the farmer of a century ago could, though less easily, have ploughed deep. But, unless treated chemically, fresh earth is only useful after a long, and to the cultivator, unprofitable contact with the air: treated chemically, it becomes immediately useful, and is more likely to escape excesses of moisture and dryness than when it is seasoned by the air. Here the agricultural engineer had to wait for the experiments of the chemist.

A century ago, the methods and extent of tillage were rigorously limited by the amount of manure on the farm. The substances taken from the soil in the production of crops had to be replaced from a stock of animal and vegetable manures. Thus French agriculturists calculated precisely that for every hectare ($2\frac{1}{2}$ acres) of tilled land the farmer must keep 400 to 500 kilog. of live-stock.¹ To-day, the farmer has only to consider what outlay of money will give him the greatest net return. The substance exhausted by cereals is azote or nitrogen and this can now be replaced by nitrates, imported from the vast deposits of Peru and

¹ Cf. F. Convert, *L'industrie agricole*, Paris, 1901, p. 54.

Northern Chile (known as Chile saltpetre)¹ The extent of the use of artificial nitrogen may be gauged from the following figures:—²

<i>Country.</i>	<i>Use of nitrate in thousands of tons</i>					
	<i>in 1889.</i>			<i>in 1898.</i>		
Germany	-	-	302	-	-	405
France	-	-	187	-	-	247
Belgium	-	-	105	-	-	152
United Kingdom	-	-	— (not given)	-	-	131
Holland	-	-	52	-	-	79
Italy	-	-	9	-	-	23
Alsace-Lorraine	-	-	—	-	-	18

Moreover, when natural manure only was employed to supply nitrogen, it gave proportionately an excess of nitrogen over phosphorus, with the result that the ripeness of the crops was retarded. Now both substances can be added separately from chemical sources up to the exact measure required—nitrogen from Chile saltpetre, phosphorus from phosphates of lime and especially from phosphates of dephosphorised iron. Here is seen the dependence of agriculture on transport and industry. Chile saltpetre, a monopoly of South America, was not available till the South American markets were placed within paying reach of Europe: iron phosphates only became abundant as a bye product, when it was discovered that good steel could be made from the phosphorus ores of Germany.

A century ago the farmer trusted to Nature to refresh the tired land by leaving it fallow once in three years. Now he himself replenishes it by the application of chemicals and the scientific rotation of crops. By the discovery that certain products, lucerne and vegetables, contribute nitrogen, he is able to substitute these for the fallow, which was a dead loss. The properties of the soil having been analysed, the land is no longer the master, but the servant, of the farmer. The year's crop, excluding perhaps the vine, is less open to extreme variations and more and more the predictable result of previous calculation. Such a change in the methods of

¹ Cf. Bartholomew, *Atlas of World's Commerce*, introduction, p. xxxv.

² Quoted from J. Hitier, *art. cit.*

cultivation reacts profoundly on the character of the agriculturist, making him less fatalistic and more expert in that process of arguing from cause to effect which is at the bottom of the shrewdness that makes the "business man."

Moreover, not only is good land made more abundantly and more steadily fertile, but soil, confined to a low state of cultivation through the lack of a single element, has been made first-class land through the importation of that element. It used to be said of the wastes of Brittany, "*Lande tu as été; lande tu es; lande tu seras.*" The soil lacked phosphates: as soon as these could be imported, the curse was as by magic removed.

Agricultural machines there have always been, but the 19th century has brought improvements of a three-fold significance. The old machines have been improved; the wooden plough has been replaced by the iron plough with triple shares of steel, moved by electricity or steam. Machinery has replaced hand work; manure distributors and sowers spread manure and seed more regularly and more thoroughly than is possible by hand; binding and reaping machines reap the crops in much less time, speed being invaluable in the ingathering of the harvest. Finally, for two kinds of machines, the plough and the threshing machine, steam and electricity have been substituted for animal or human power. The most important of these improvements date from the middle of the 19th century: England and America being the countries of origin. At the present day, the Continent still imports many of its machines, the heavier kind from the East of England, the lighter from the United States. The prevalence of large farming in both countries, the contiguity of industrial machinery in England and the scarcity of labour in America stimulated the manufacture of agricultural machinery in these two countries. On the Continent, in districts where cereals are cultivated by small farmers, the use of machinery is still backward.

For certain inherent reasons the approximation of agriculture to industry through the adoption of machinery is

only partial. One reason applies to all agricultural machinery alike. It cannot be used for more than a limited period of the year. A reaper, for example, will not be in use for more than a fortnight; while in industry the supply of raw materials can generally be spread over the whole year, and the machinery kept constantly in motion. This means that the economy of the machine in agriculture is proportionately less than in industry.¹ A second reason is that in most cases the machine must be brought to the raw material, instead of *vice versa* as in industry. The economies of concentration and of a single motive power are thus excluded. However, in two classes of machine, the manure-mixer and the threshing machine, the second reason is in part absent.

The specialisation of agriculture is a product of these and other factors. It has three phases.

First, the agriculturist has become predominantly an agriculturist. This delimitation of functions came rather from the side of industry than of agriculture. It was the factory power-loom which dragged the weaver to the town rather than improved methods of tillage which stimulated the farmer to confine himself to agriculture. This specialisation is however only partial; it is withstood by another force working in the opposite direction, viz., the dovetailing of activities. The tillage farmer is very busy in the summer, but, especially as the result of steam threshing, he has not, unless he is a big farmer, sufficient farm work in the winter. Hence the smaller agriculturists, the farm hands in large farming districts and the peasant proprietors in others, employ themselves in the winter on "home industries," which require skill rather than machinery, such as the watch-making and carving in Switzerland, and toy-making in Bavaria and Thuringia. Still, this work is distinctly subsidiary, the farmer being predominantly a farmer.

The Industrial Revolution crippled "rural industry" of the old kind, but to-day it is in a measure repaying the debt by the promotion of "industrial agriculture." The improvement of communication and the migration of factories

¹ Cf. Kautsky, *Question agraire*, p. 56.

into the country, stimulated by the development of electricity, have made the operative a small agriculturist also, still indeed predominantly an operative, but in the evenings, when his work is over, cultivating an acre or two of ground chiefly for the subsistence of his family. The new demand for small holdings, or ownerships, under one hectare, which is being witnessed on the Continent generally, signifies not the "crumbling"¹ of peasant proprietorship, but the removal of the town worker's dwelling to within reach of the countryside.

Secondly, the agriculturist specialises in one branch of agriculture. This is the result of production which is for a market. When the farm had to be self-sufficient, it produced a little of everything, regardless of fitness. To-day, the farm can, unhampered by this restriction, conform to the triple requirements of the soil, the climate and the market. Thus in France the vine has left Picardy and Flanders, and roots and cereals have left the Mediterranean coast. In the same way England and Denmark have passed from grain-growing to cattle-rearing and the production of milk. Grain and cattle-rearing lands are becoming more definitely separated, now that the grain farmer need raise no more cattle than are required for the haulage of machines and carts, and the cattle-raiser need grow no more grain than is required for a portion only of his cattle food.

Further, the farmer specialises within a single branch of agriculture. The cattle farmer rears cattle either chiefly for milk or chiefly for meat. The horse, again, is bred in one district, matured in another, and set to heavy work in a third. However, in tillage a limit is set by the rotation of crops, within which the farmer cannot profitably specialise. The nitrogen provided by a vegetable crop is cheaper than imported nitrates. A variety of crops is an insurance against the total failure of a single crop. In the French "crise viticole" of 1907 the South-West escaped the disturbances which occurred in Herault and Aude, because, unlike the

¹ *I.e.*, excessive subdivision, French "émietter"; *cf.* class 104, *op. cit.*, cap. 3.

latter districts, the South-West grows cereals as well as vines.

Thirdly, specialisation is possible within a single farm. If the farm is large enough, special men may be kept for special pieces of work, provided this is of a continuous character. But the essential variety and seasonal nature of duties on the farm prevent this specialisation from proceeding far.

Thus, in the matters of preliminary preparation of the soil, of machinery, and of specialisation of work, agriculture, within limits, is approximating towards industry. As regards specialisation on the farm, co-operation has played no important rôle, because it is among small farms, where this specialisation is least possible, that co-operation is most effective. But as regards the other changes, co-operation is the instrument which has enabled the small farmer to come into line with modern methods. It is the supply society, which has provided the small farmer with artificial manures; it is the supply society and the machine society, which have equipped him with modern machinery; it is the supply society, the machine society, the "productive" society, in fact the whole network of co-operation, which have educated him up to the use of these new things and helped to make him what he now is, a scientific and specialised producer.

(II.) The transformation of the produce of the soil.

Here too, but in a rather different sense, agriculture has been industrialised. In its widest meaning we understand by industry all processes beyond the original process of extracting the raw material from the ground, and we probably include under industry the extraction of minerals. Consequently, in so far as the farmer himself transforms the produce he has raised, he is an industrialist, and the term "industrie agricole" has come to signify those transformations which are effected by the agriculturist himself, whether he operates on his own produce only or on his own produce plus that supplied by his neighbours. But there is a difference between "industrie agricole" and industry ordinarily so called. Cotton and wool are taken in a raw condition to those centres where the motive power is abundant and the

climate suitable; while the products of "industrie agricole" are those which for counterbalancing reasons can better be treated on the spot. One of these reasons is the economy effected by reducing a bulky substance of little value to smaller dimensions of increased value, before submitting it to a change of place: thus in East Germany alcohol is extracted from potatoes and sugar from beet. Another is the economy of having a very close connection between the raw material and the resultant product. Milk must be used when it is fresh, and therefore the dairy must be close to the farm. In some other products the necessity is not absolute. Bacon might be cured, sugar refined, either in the town or near the farm. But the economies of centralisation in the town are likely to be of subordinate importance in proportion as the product is one, which after transformation is less costly to transport, which is not worked up in conjunction with other materials elsewhere derived, which demands for its transformation more or less the same kind of technical knowledge as for its raising, and which therefore has much advantage to gain from harmonious interaction between the agricultural and industrial processes.

The total of "industries agricoles" is made up from two sides: ancient industries, which used to fall within the *ménage* of the farm, such as butter-making, which is taken out of that *ménage* and conducted as a separate adjunct: new industries or industries little practised in former times, such as sugar-refining and potato-distilling, which have taken their place at once as industrial concerns, joined to the farm but never mixed up with the *ménage*.

It is sufficiently obvious that "industrie agricole" in the sense thus interpreted differs essentially from the present day tendency of some industries to seek the country, whether to reduce taxes and rents, or to benefit the condition of the operative, or to utilise water for electrical power.

In "industrie agricole" co-operation also plays its part. Accepting the fact that the productive processes concerned must be conducted on modern lines, it enables the small farmer to be at once a small farmer and a partner in a big industrial concern. The small farmer, co-operatively

organised, is an efficient competitor of the company and big farmer, who derive their produce either from their own land entirely or partly from their own lands and partly from scattered suppliers. In one big "industrie agricole," namely butter-making, the small farmer is in several countries ousting his rivals: in another, namely bacon-curing, he can at least hold his own. In wine and spirit production, he has obtained occasional success. In sugar, production by a company or a big farmer is as yet the prevailing form. Some reasons for the limitations of co-operative production have been suggested above.¹

(III.) The relations between the farmer and the outside market.

Formerly the farmer produced primarily for his own consumption, selling only the surplus. Now he produces primarily for the market. This change from a *Natur-* to a *Geld-Wirtschaft*, *i.e.*, to a rural economy based on money transactions, proceeded by degrees, contemporaneously with the Industrial Revolution. By the end of the 80's, when the competition of the raw produce of America was being severely felt, and France, Germany and Italy had settled down to the industrial course taken by England at least half a century previously, the change was completed. The big farmer in England, chiefly because he was big, faced this change without resort to co-operation, but in countries of small farmers co-operation came out to meet the change as soon as this was effected. Generally over Europe co-operative supply appeared: generally also co-operative sale, both the direct sale of raw produce, and the sale of produce first co-operatively transformed. In countries where peasant proprietorship was the sturdiest, the supply society provided not only raw materials, but also the necessities of life, which were no longer produced on the farm.

Co-operative supply, especially the supply of household provisions, and co-operative production appealed but little to the big farmer, who was able to buy without being cheated and to keep on his own farm a well-conducted dairy

¹ Cf. above, pp. 178-9.

or distillery. But in co-operative sale both the big farmer and the little farmer found an obvious advantage in combination. Hence in France and Germany, where small and big farmers exist together, the big farmers have enrolled themselves more and more in the co-operative movement as this has progressed with co-operative sale. In Germany since about 1895, especially in the Ost-Elbien provinces, there have sprung up societies for the co-operative sale of corn and spirits; in France since about 1898 in the same way big provincial sale societies, pre-eminently in the corn-growing districts—many of the new members in both cases being large farmers.

In increasingly numerous departments of industry the big establishment is gaining at the expense of the small one. Its rivals are a number of other concerns of the same order, and competition becomes progressively keener among those which survive. But when, and often in proportion as, competition becomes over-keen, the limited number of competitors proceed to the formation of agreements—Trusts, Combinations, or Kartels; and their action is a dominating factor in industry at the present day.

In agriculture, the fruits of the revolution have been much more evenly divided between two parties, the small farmer co-operatively organised and the big farmer. Small farmer added to small farmer made the co-operative society; co-operative society added to co-operative society made the selling federation, provincial or national. The big farmer is a society in himself. Consequently big farmer added to big farmer—each owning, say, a dairy or a distillery—constituted at once by their first co-operative move a provincial or national selling federation. Thus the co-operative society is parallel with the big farmer; and both can further combine among themselves and with each other. Of course the big farmer is not always exactly paralleled by a co-operative society of small farmers: in France and Germany big and small farmers alike are often members of a single corn-selling society. But it is through local co-operation—that kind of co-operation which is the leading topic of this essay—that the small farmer has had to strengthen himself, before

proceeding along with other local societies or with big farmers to a wider stage of federal co-operation, which is indeed the crowning point of local effort, but which at the same time brings co-operation into contact with a different atmosphere—the atmosphere of the agricultural Kartel. For just as industry is tending towards combination, so also undeniably is agriculture.

This tendency of agriculture involves the apologist of agricultural co-operation in a dilemma, out of which there is no way.

Thus Dr. Sering in his survey of co-operation presented to the Prussian Royal College of Agricultural Economy in 1897¹ says :

First, “less than ever can we dispense with co-operative supply, in a time of the cartellisation of industry ; for against the abuse of economic power, of which the combination of manufacturers admits, there is no other resource than the association of consumers.”

Secondly, speaking of the competition among German co-operative dairies, “we hope to triumph over these difficulties by a new development of the co-operative idea, or rather by the very means which is now transforming so materially our big industries, namely by Kartels.” Federated, the dairies can suppress competition among themselves : if requisite, selling the surplus at a loss on foreign markets.

That is to say, the agricultural Kartel is “a development of the co-operative idea ;” the industrial Kartel an institution capable of causing “an abuse of economic power,” which only co-operation can withstand. From the one standpoint co-operation is valuable because it is the means of resisting the dangers inherent in the Kartel, from the other standpoint the Kartel is valuable, because it is a means of strengthening co-operation.

The apologist might rightly contend that in Germany co-operative production is not seen at its best ; that the union of privately-owned dairies is not the co-operation of small

¹ Quoted, p. 416-7, Kautsky, *Question Agraire*, and criticised by him. Kautsky, however, is unfair in interpreting Sering to mean that the Kartel *in itself* is “an abuse of economic power.”

farmers. But inasmuch as big farmers do exist, he could hardly deny them the right to associate, or refuse to their associations the title of co-operative, merely because they endeavour by suppressing competition among themselves to increase the value of their produce in a way that is honourable in the eyes of the law.

The apologist might also rightly contend that in countries of small farmers, such as Denmark and Ireland, where co-operation is most democratic, it has as yet shewn none of the tendencies towards restriction and monopoly which characterises the Kartel. He might point out the improbability of such a tendency in the specific case of a product like Danish butter, which is sold on a foreign market, and of which there is no natural monopoly. But he would have to admit that the same federal organisation which found the farmer at the mercy of others may end by leaving others, if not at the mercy of, at any rate in danger of him. This danger is inherent in co-operative production as it is inherent in any kind of production organised from the standpoint of the producer.

If this is so, it may be said, then let the inevitable clash of interest be avoided by the organisation of agriculture from the standpoint of the consumer. Let the State or voluntary association of consumers own and work the land. But the remedy sought is worse than the disease: because agriculture is agriculture, because agriculture with its idiosyncrasies and local variations, does not, except in very rare cases,¹ lend itself to collective control, because the individual ownership² and cultivation of the land are, so far as we can judge from experience and observation, essential to effective production. Since individual cultivation is necessary, the association of cultivators is also necessary. But over against the association of producers can stand, if needed, the association of consumers. Then the two, by agreement, can ensure the interests of both.

¹ Cf. p. 211.

² The individual owner may be occupier or landlord, provided that in the latter case the landlord is resident, and thus in a position to bring close expert knowledge to the varying requirements of his different tenancies. In the case of urban land the argument for corporate (State) ownership is strengthened by the fact that such land exists to be built upon and not to be tilled.

CHAPTER XI.

CO-OPERATION AND LAND TENURE : LARGE AND SMALL FARMS.

Historical Evidence—Small Occupying Ownership, under Favourable Legislation, more than Holding its Own in Germany, France, Denmark, Switzerland and Ireland—Significance of English Small Holdings and of Italian "Affittanze Collettive"—Argument in Favour of Small Farms—Economies of Large-scale Farming limited and must be set-off against Economies of Small-scale Farming—Special Province of Small-scale Farming: Intensive Cultivations, such as Wine, Fruits and Dairy Produce—Cattle Raising and Cereals Neutral Ground, save in Special Circumstances—Opening up of Trans-Atlantic Markets tends to Confine Western Europe to above-mentioned Intensive Cultivations and thus to Extend the Province of Small-scale Farming—Conclusion: Province of Small-scale Farming and therefore Opportunities for Agricultural Co-operation Permanent and Expanding.

WE have argued that the Agricultural Revolution has left two parties in power, large farmers and small farmers co-operatively organised. Which is the stronger power and which are the respective provinces of their strength? If we can shew by historical and geographical evidence (1) that the small farmer is in the general average of Europe at least holding his own, (2) that, where he abounds, there also are the strongest co-operative districts, then we may endorse the opinion of Dr. Steinbrück¹ that co-operation is "a cornerstone of the development of agriculture."

Within the last century or more, the Governments of Europe have passed laws facilitating the existence of occupying owners, especially small occupying owners. It might be urged that this has been an artificial hindrance to the evolution of agriculture, but it would be no less valid to argue that it is a restoration of justice, previous land legislation having artificially concentrated property in the hands of the few; so that we may assume that large-scale farming is being given a chance, in so far as it shews itself

¹ *Wirtschaftskunde Deutschlands*, Vol. II., p. 5.

consistent with the social and economic progress of the nation as a whole.

In Prussia Stein's¹ land reforms of 1811 and 1816, completed in 1850, made land-owner and land-occupier one, except in the case of public or corporate lands. Without handicapping big farmers, they encouraged small ones. The other States² of modern Germany followed suit. In all Germany (1902) cultivating owners occupied 86 per cent. of the cultivated area.

In France the Revolution of 1789 made the peasants real owners of their land, which had formerly been burdened by feudal dues, and also converted many public lands into peasant properties. In 1892 cultivating owners occupied 53 per cent. of the cultivated area.

In neither country is tenancy increasing, while in France the rented lands are in great part commune lands of poor quality.

What then is the proportion between small, medium and big farmers?

<i>Propriété</i>		<i>France</i> ³ 1892.		<i>Germany</i> ⁴ 1895.		<i>Betrieb.</i>
		<i>Hectares.</i>	<i>% of area.</i>	<i>% of area.</i>	<i>Hectares.</i>	
Très petite	-	0-2	10'53	5'56	0-2	Parzellen
Petite	-	2-6	15'26	10'11	2-5	Kleine Bauern
Moyenne	-	6-50	38'94	29'90	5-20	Mittlere Bauern
Grande	-	50-200	19'04	30'35	20-100	Grössere Bauern
Très grande	-	200-	16'23	24'08	100-	Gross

[1 hectare = 2½ acres]

Unfortunately in this comparison, (1) the class divisions are not coincident: (2) in France the figures are for properties, not for farms (*Betriebe*); as the big properties only are let in tenancy, this would increase the percentage in farms for the other classes, especially the "moyenne" class.

From comparative figures and the evidence of monographs, the documents above referred to⁵ adopt two sets of similar conclusions:—(1) that the most fertile lands belong

¹ Cf. Colonel Ouvry, Stein and his reforms.

² Cf. Field, Landholding and Relations of Tenant and Landlord.

³ Cf. Class 104, p. 89. (Report of Paris Exhibition, 1900).

⁴ Cf. Handbuch der Wirtschaftskunde Deutschlands, Vol. I., p. 287.

⁵ I.e., Report of Paris Exhibition, and Handbuch d. W. D.

to the smaller farmers, (2) that since 1882 the very smallest holdings, *i.e.*, those not sufficient to maintain a farmer, and the very biggest, *i.e.*, those which cannot be worked without a large staff, are losing slightly at the expense of the moderately small farms, cultivated by what is vaguely termed the "middle-sized peasant." In other words, the gradually prevailing type is the comparatively small self-sufficing farmer, who is a peculiarly fit subject of co-operative effort. Of course in intensive cultivations, such as vines and market produce, the moderately small farm covers a much smaller area; *e.g.*, in France any vine property above three hectares is reckoned "big."

In both these countries it is roughly true that co-operation, while not confined to the smaller districts, flourishes best in them.

In France "it has been observed, and the fact can readily be appreciated, that the districts of small cultivations are those in which syndical action is most widespread; especially the wine-growing districts."¹ With which we may compare: "They (the syndicates) succeed in marked fashion in the small farming districts and in the wine-growing area. The regions of large farms, cereals, and cattle-raising seem less favourable for them."²

Again, in Germany, the size of farms increases gradually from the Rhineland in the South-West to Ost-Preussen in the North-East:³ and similarly the density of co-operators per total of the population decreases steadily from South-West to North-East.⁴

Tenancy is still the usual form of land occupation in Belgium; and of farms of $2\frac{1}{2}$ acres and upwards, those exceeding 50 acres cover only 32 per cent. of the area.⁵ Co-operation flourishes least among the big cattle farmers in the province of Namur.⁶

¹ Class 104, p. 153.

² Rocquigny, *op. cit.*, p. 53.

³ *Cf.* Map, Vol. I., 293.

⁴ *Cf.* Map. History of Preussische C. G. Kasse, Appendix: although this map includes industrial co-operation also, the agricultural trend is clear.

⁵ Minutes of Evidence, Small Holdings Committee, Appendix xviii., p. 445.

⁶ Information privately supplied by the Boerenbond, Louvain.

In Denmark, Switzerland and Ireland the enquiry is easier. Denmark is the model co-operative country and in Denmark, except for a few islands retained by the nobility in their ancient feudal condition, practically the whole country is, as the result of legislation at the end of the eighteenth century (amplified 1850-72),¹ occupied by small owners cultivating anything up to 70 acres: the absorption of peasant properties being directly limited by law (1872). In Switzerland, also a country of peasant proprietors, the average holding is 5-7 hectares.² A long course of land legislation in Ireland³ culminating in the Act of 1903 is resulting in the conversion of tenancies into ownerships. It is possible that Irish co-operation, which is no older than 1889, has been in certain districts directly stimulated by the newly-won independence of the farmers, who are mainly small men.

So far we have been examining the conditions of tenure in countries which have set before themselves the maintenance by central legislation of a peasant proprietary; and even in Belgium, a country in the main of tenancy, the influence of French example, combined with the natural inclination of Belgian agriculture, has been sufficient to sustain an atmosphere favourable to the small holder. Great Britain, on the other hand, has come to be known as the landlord country *par excellence*: and, what is of greater significance to its agriculture, as the country of big farms. When, as during the first half of the 19th century, the cultivation of cereals, and especially of corn, was the kind of agriculture most profitable for Western Europe, large-scale farming was in its most suitable element: and Great Britain was not only the pioneer of agricultural reform, but was held up by foreign countries as a model, just as Denmark is now held up as a model to her. When, however, during the last half of the 19th century, the conditions of European agriculture came to favour small farming products, the Continental countries who had, a half-century

¹ L'agriculture en Danemark, edited by R. Schou, pp. 306-16.

² Schweiz. Gen. Kalender, 1905, p. 41.

³ Cf. M. Bonn, Modern Ireland.

previously, from reasons of social policy, established a peasant proprietary, found the trend of agriculture, as it were, playing into their hands and giving to them precisely the kind of agriculture most suited to their land tenure. Great Britain, on the other hand, was paralysed by the change: she had lost her small-farming tradition, and has therefore had to content herself with following, by means of her recent small-holding legislation, in the wake of that irresistible change in the nature of her agriculture which is making the small farmer indispensable.

The operation of this change of cultivation is clearly discernible during the last thirty years.¹ Between 1875, the eve of the Agricultural Depression, and 1905, there was in Great Britain a transference of 3,000,000 acres from arable to grass, the result of which is expressed in the increase of 13 per cent. in horses and 17 per cent. in cattle—which more than counterbalances the $9\frac{1}{2}$ per cent. decrease in sheep. However, the most significant expression of this, the increase of dairy produce, is obscured by the fact that we do not know the total output of fresh milk, which is sold as such. The market gardening or small fruit area—fruit, flowers, tomatoes, etc.—has also increased to 79,000 acres from 37,000 in 1888, when it was first computed.

As the result, and not as the cause, of the changes in culture, there is in progress a corresponding change in the nature of the landholding. The big farms of over 300 acres, so typical of the eastern counties' corn-growing area, are diminishing before a smaller class of farms of 50-300 acres, confined to cattle-raising and dairying. Meanwhile, also, the still smaller class of farms, 5-50 acres, the parallel to the peasant proprietary abroad, though not increasing, has ceased to diminish: and, what is most important, such holdings are being grouped in some places into colonies with a small holdings atmosphere.

Some of these colonies have grown up spontaneously, *e.g.*, the Cheshire dairy farmers, who are described in the Minutes of Evidence before the recent Small Holdings Com-

¹ *Cf.* Agricultural Statistics, 1905 [Cd. 3061]. Introduction, pp. v.-1.

mittee as "living in perfect little paradises, with handsome little incomes" (Q 1496). Others are being created by Co-operative Small Holdings Associations. The parent of these is the colony at Cudworth, Surrey. Others are the Lincolnshire Association, on Earl Carrington's land: the Norfolk: the Winterslow (Hampshire), on Major Poore's land: the Rew Farm (Dorset), on Sir R. Edgumbe's land. The society guarantees the rent payment to the landowner, who is more ready to deal with a central association than with a number of isolated holders; and it meets its own expenses by charges on its members, often in the form of entrance fees, as for example in South Lincolnshire of £1 per acre leased. Although the whole area of all the associations does not cover more than one or two thousand acres, it is more than likely to be numbered soon in tens of thousands; for the associations are dotting the country with nuclei of model small holdings about which a small holdings atmosphere is being gathered and extended.

Finally, the Government has stepped in with effective legislation to supplement and accelerate private effort. The Small Holdings Act of 1907¹ is doing what the Act of 1892 failed to do, inasmuch as it ensures that every local demand shall be responded to. Thus, where the county councils shew themselves unwilling to acquire small holdings, the Central Board of Agriculture may act instead (§14 and elsewhere): where landlords refuse to offer suitable land, this may be purchased on compulsion (§6).

That the Act is bearing fruit may be judged from the fact that in accordance with it, 10,541 applications have already² been made for small holdings and allotments amounting to 167,000 acres: and that since its passing twenty new Co-operative Small Holdings and Allotments Associations have

¹ The Act, which applies to England and Wales only, also provides for allotments, defined as "holdings under 5 acres" (§19). The difference between a Small Holding and an Allotment is this:—the Small Holding is intended to provide farms of 5-50 acres, which will enable the tenant to make a living out of agriculture: the Allotment, usually 1 acre or under, is intended to supplement the earnings, whether of the agricultural labourer or the artisan, and to occupy his leisure only. For the development of the latter there are Co-operative Allotment Associations: e.g., at Aylestone, Winchester, and Woking.

² April, 1908.

been formed, though they are not as yet in occupation of land.

The Act makes its small holders tenants of the county council, just as small holders outside it are generally not proprietors but tenants of a private landowner. The legislature has thus declined the Continental precedent of actual ownership: and there can be little doubt that without direct legislative facilities a large peasant proprietary will not make its appearance in Great Britain. Whether this is a step in the right direction is a matter of dispute. In favour of ownership there is the big and proved argument of the "magic of property," and also the difficulties of a corporate body, such as a county council, becoming a good landlord. Against ownership and in support of the present policy there are also weighty considerations:—the greater demand on the public credit involved in the creation of small owners, the perils of mortgage burdens, the tying up of the farmer's capital, that might otherwise be used to stock his holding, difficulties of inheritance, the fact—if fact it be—that English farmers are less desirous of ownership than their Irish brothers, finally, the new circumstance, that under a body like the Co-operative Small Holding Association, tenancy can be made as secure as freehold.

In either case, whatever be the basis of occupation, British agriculture is plainly extending to those cultivations where co-operation is proved by the long experience of the Continent and our own short British experience to be most valuable; and is securing a permanent place for the distinctively small farmer, for whom, as Mr. W. M. Tod testified before the Small Holdings Committee, co-operation "is absolutely essential" (Q 6731).

Without attempting to examine Italian land tenures from the standpoint of our general argument, we may note that the Italians have devised a co-operative weapon similar to the English Small Holdings Associations, which has the additional interest of having ventured successfully upon the hitherto bare field of actual collective cultivation.

Their associations are called "Affittanze collettive,"¹ or collective land renting associations, the scope of which is thus defined:—"By collective land renting we mean the taking over of a considerable breadth of land, most commonly under ordinary tenure: it may, however, also be occupied by a society of agricultural labourers, under the system known as 'mezzadria' (metayer) or else of 'emphyteusis'."² Such collectively rented estates are managed under two different systems, either as collective or else as divided holdings. Land held under the former is cultivated in common and the accounts are accordingly likewise kept in common, as of a single estate, even if it should consist of several distinct areas, and whatever be the number of the labourers taking part in the enterprise. Land held under the latter system is rented in common, but the area is subsequently subdivided into distinct holdings, each of which is allotted to one labourer and his family. Tenancies worked in common prevail in Emilia and the province of Mantua. Tenancies with divided management predominate in Lombardy, Piedmont and Sicily. The number of collective holdings in 1906 was 108, of which 25 only were worked in common, and 83 divided. In nearly all these land-holding societies a distinct political or else religious object forms the uniting link; they are for the most part either "Catholic" or "Socialist."

This survey would seem at any rate to warrant the conclusions, first, that over the greater part of Western Europe cultivating ownership by comparatively small farmers is making greater headway than any other form of agricultural administration: and secondly, that in Great Britain, as in Belgium, secured small tenancy is strengthening its position.

We may press the conclusion further by direct argument.

Karl Kautsky sums up concisely the advantages of large-scale farming:—"The smaller extent of uncultivated area

¹ Cf. *Le Affittanze collettive in Italia*, Report published in 1906 by the "Federazione dei Consorzi agrari"; cf. also Raineri Report to Cremona Congress, op. cit., p. 75.

² Report cit. Introduction.

(*i.e.*, the excess of boundary patches and pathways on small farms), the economies of labour, live-stock, and implements, the complete utilisation of every article, the possibility of using machinery which is denied to small cultivators, the division of work, the entrusting of the management to expert agriculturists, the commercial superiority, the fuller facilities for obtaining money¹” As to the two last advantages, the experience of the Continent proves that co-operative association is adequate to make the small farmer an expert marketing power and to supply him on easy terms with all the capital he can legitimately demand. It has also proved that co-operative association affords an adequate instrument for the acquisition of machinery, although the very small farmers are slow to make use of it. The economies of the division of labour, however, are by hypothesis denied to him.

It would be admitted, I imagine, that small-scale farming retains more people on the land—which is a national asset from the military and medical points of view at least; further that at a given cost such farming in most departments of agriculture extracts from the soil a greater volume of produce.

The cost, in so far as it exists, is paid indirectly by the small farmer, in the excessive toil of himself and his family and in the meanness of their material existence, which is apt to produce a corresponding littleness of character. But while it may be true that many French peasant proprietors are worse off than the average English farm labourer, it is no less true that some are better off; and it is certainly true that in countries such as Denmark and Switzerland, where small-scale farming is most strongly helped out by co-operation, the large majority are better off.

Moreover, the absolute economies of large-scale farming necessarily fall far short of those of large-scale industry. As Professor Marshall says: “The work which he (the large farmer) ought to do is as difficult as that of a large manufacturer. . . . But there are not many farms which give

¹ La Question Agraire, p. 158.

scope for this, and there is therefore very little inducement for really able men to enter the business of farming."¹ This limitation arises from the nature of the material on which the farmer operates. He cannot take a thousand acres of land surface and pile them up in a centralised factory, supplied by a single motive power and guided by a single directing eye. The farmer must therefore either go himself or send his subordinates to the land. No doubt, if every servant would work as keenly for his master as he would for himself, the agricultural captain would be more than able to hold his own. But this is contrary to the nature of most men. In industry the captain can overcome or make up for the unwillingness of service, but in agriculture he lacks what is in industry his strongest ally, the registering finger of the machine, which keeps a watch on the employee, as effectively as he on it. Therefore it is that, even with his limited, though undoubted, advantages of division of labour, and with his readier application of the best machinery, the large farmer has an effective rival in the small man, especially the small owner, who watches with infinite attention the varying wants of different pieces of earth and the varying healths of different head of cattle, who removes a stone here and a weed there, who detects in a single blighted leaf the approach of a disease, which, neglected for a day, will ruin a whole vineyard, who tends with certain knowledge every beast in his stalls.

In Western Europe almost every department of agriculture can be and in fact is practised both by large farmers and small farmers. In proportion, however, as the product is one in which minute labour and personal attention make an appreciable difference to its value, the balance weighs most decidedly on the side of small farms: as for example with vines, fruits and vegetables; milk; poultry and pigs. Hence South-West Germany and South France, Flemish Belgium, Denmark and Switzerland generally, which are especially concerned with such produce, are also the strongholds of the small farmer.

¹ Principles of Economics, 5th Edition, 1907, p. 652.

Cattle-breeding and cereals are more neutral territory. *Per se* the small farmer is at a disadvantage, since he cannot afford the expensive equipment and machinery which such cultivations by their nature involve. However, by co-operative association he can reduce, if not cancel out, the margin of disadvantage. Thus the peasant farmers of Denmark are considerable cattle-breeders, while those of Alsace-Lorraine and Hesse-Nassau, chiefly cultivate corn (Weizen), for which product, indeed, these two provinces are the chief German centres.¹ In both countries these cultivations are made profitable chiefly through co-operative associations; in Denmark especially through the breeding societies and the cattle insurance societies, called "mutualités"; in Germany especially through the supply and corn-selling societies.

Peculiar influences of climate and geographical situation may reduce to a minimum the advantages attainable by small-scale farming, even when helped out by co-operative association, in the remoter rye-growing provinces east of the Elbe, for example, where the summer is short and the winter very long. The short summer involves a sudden and contemporaneous demand for labour, and also an unusual amount of land in fallow. The long winter necessitates durable expensive barns and a more wearing use of machinery. In such conditions, where heavy capital expenditure is an absolute essential and the demand for irregular labour is met by seasonal importation, small farming would discover none of its advantages and all its disadvantages; and, as a matter of fact, the big farmer is almost alone in the field.

It is unarguable, and in the face of English practice notoriously untrue, that large-scale farming does not lend itself to intensive cultivation. But it is none the less true that the more intensive the cultivation, the greater is the scope for the profitable application of elaborate human effort and the wider therefore the possible province of small-scale farming.

Europe is an old and thickly populated continent, and its

¹ Cf. Wirth. Kunde D., op. cit., Vol. II., p. 50.

cultivation is becoming more intensive. The opening up of Trans-Atlantic markets within the last half-century or less has tended to confine Western Europe just to those forms of intensive cultivation in which small farming is strongest. Meat, wool and cereals are being imported in increasing quantities from other countries: and their place is being taken by costly products or by products requiring immediate consumption or consumption close to the place of production, and these in particular are:—vines; vegetables and fruits of all kinds; milk; cattle foods; poultry and pigs. That is to say, the range of the small farm specialities and the range of the cultivations into which the development of the world's markets is forcing Europe approximate very nearly to one another.

We may therefore present as our broad conclusions (1) that statistical evidence proves the vitality and slow expansion of other forms of cultivation than that which we call distinctively big, and in particular of small cultivating ownership; (2) that the province of small-scale farming is permanently assured and capable of expansion; (3) that this expansion is directly stimulated by the trend of international agriculture.

Combining these results with those of previous chapters, in which we have shewn the supreme importance of co-operation to the small farmer in particular, we may submit that co-operation is not only *a* but *the* corner-stone in the development of modern agriculture.

PART III.

WORKERS' SOCIETIES.

CHAPTER I.

GENERAL CHARACTER.

Unique Nature—Difference from German Associations of Small Producers.

THE society of working men producers or workers' society¹ is a unique form of co-operation. Other forms bring together hitherto isolated agents in an organisation which increases the effectiveness of individual action, whether in the production or consumption of goods, and which by rendering services that were formerly neglected or inadequately executed by third parties secures a distinct advance in business methods. The workers' society on the other hand offers an alternative to the normal type of non-co-operative industry, which from a business point of view must be pronounced highly efficient. It does not claim that it has a general economic superiority, but rather that, in the fields of industry congenial to it, it is capable of holding its own : and that, where it is financially successful, it has also dignified and strengthened the position of the workers by introducing them to the brain work of management and responsibility. Consequently, while other forms of co-operation can shew the resistless triumph of union over isolation, the workers' society can only shew the gallant attempts of working men to rise above themselves. Other forms of co-operation provide machinery which can be used by the high as well as by the low. The large farmer can sell his produce through an agricultural society in the same way as a small peasant proprietor; the army colonel can buy his provisions through the store in the same way as a factory hand. None however but working men can form a workers' society, since this is an alternative, which working men seek, to their position as ordinary employees.

¹ In French "association ouvrière de production"; in German "Arbeiter-Genossenschaft or Produktiv-Genossenschaft."

The German associations of small producers (*Handwerk-genossenschaften*) are not workers' societies proper.¹ The members start and end as independent producers. They buy raw materials in common, use machines in common, sell their products in common, but the commodities raised belong to individuals. They rarely succeed, because their structure is unsuited to modern conditions. The workers' societies on the other hand are organised on modern lines and they find success difficult, because only workmen of a strong character and well-balanced mind can, as workers, co-operate in the creation and management of a modern business.

The primitive association of fishermen or barge-loaders is indeed structurally a workers' society. The members are grouped together for common work, and they assume the functions of the contractor. But such an association lives in an atmosphere very different from those workers' societies which have been called into being by way of protest against the domination of capitalism. The workers' society, therefore, is within the area of modern industry; it does not appear until modern industry has revealed its meaning, until the employer has known the power of domination and the employee the harshness of subordination. It is the bold passionate response, wrung from the unsubmissive souls of those who have tasted and found the water bitter. "Let us pour forth the water ourselves, and it will be sweet and wholesome."

It was accordingly in the era of industrial discontent which culminated in 1848 that the workers' societies came into being in their first homes, in England and France. Robert Owen in England, Buchez and others in France, heralded the associations of working class producers, as the first light of the new industrial age. But whereas the preachings of the French idealists were put into practice by Louis Blanc, who was at one with his teachers in their desire to launch the new movement on a large revolutionary scale, the mantle of Owen descended upon the Christian

¹ Cf. Zur neuesten Entwicklung des Genossenschaftswesens im Handwerk, von Dr. phil. W. Peters, Crefeld, 1906.

Socialists, who, while remaining idealists, transformed the revolutionary socialism into a mission of industrial peace, acting amicably under, but independently of, the State. In France the first period of organised association was the State workshop of 1848; in England the private association, after the model of the Christian Socialists. While both were full of idealism, the French movement looked for help to the State, the English movement to the sympathy of private reformers. In both countries, failure and disappointment followed close on the first glow of excitement: in both countries a period of disintegration succeeded, in which the movement lost unity and singleness of aim. In the early 80's an almost contemporaneous recovery took place. But while in England this was marked by a practical reconstruction from within, in France the same kind of reconstruction was stimulated by benefactions and State preference. In the position created by this reconstruction, the movement remains to-day.

Up to about the year 1880 England and France had the field to themselves, until in Italy a new rival arose, suddenly, brilliantly and in great measure by its own unaided strength. Although their constitution has been from the outset completely democratic, the workers' societies in Italy have never known a period of retrogression. They have owed nothing to outsiders for the supply of capital on other than commercial terms, and they have derived their custom only in a limited degree from markets guaranteed explicitly by the State or implicitly by the consumers' stores.

In other parts of Europe the workers' society hardly exists. The few in Belgium and Germany are practically departments of the stores or their federations.

CHAPTER II.

GREAT BRITAIN.¹

Failure of Christian Socialist Workshops—Reconstruction under Labour Co-partnership Association—Its Scope and Object—Scotch Societies Exceptional—English Societies, Real Workers' Societies—These of Two Kinds: Producing for the Open Market, Producing for the Stores—Classification by Trades—Exceptional Nature of Agricultural and Tenants' Building Societies—Achievements of Workers' Societies—Pecuniary Benefit: not Fictitious—Democracy of Government—Difficulties of Estimating this—Hostility of Store Wholesales: shewn by Absorption, and by Competition—Remedial Measures from Within: Productive Federation, Reconstruction of Profit Fund.

By the end of 1854 the self-governing workshops of the Christian Socialists had to confess failure. Their lack of success was attributable roughly speaking to three causes: (1) over assistance from above by the promoters and consequent lack of initiative; (2) indiscipline among the workers, due to lack of education and inexpert selection; (3) want of organisation among themselves and of connection with the other side of co-operation, the consumers' stores.

Between 1854 and 1880 there was a second outburst of activity which resulted in the establishment of several hundred so-called "productive" societies. Most of them collapsed shortly, but many were from the outset not co-operative associations of working men producers at all. According to the analysis prepared by Mr. E. O. Greening from the returns made to the Registrar of Friendly Societies between 1850 and 1880:—"Only 24 of these so-called co-operative failures had been copartnership workshops giving a definite share of profits to labour: two or three others established some philanthropic or educational fund for their workers, but did not go beyond this: 44 had been consumers' workshops, that is stores employing labour for mere wages. All the rest were merely joint-stock concerns

¹ Cf. generally C. Webb, *Industrial Co-operation*, Ch. XVII., "Labour Copartnership": and Annual Reports of Labour Copartnership Association.

registered as industrial societies for reasons of economy—to escape stamp and other charges.”¹ However, in 1883 of the genuine societies 15 only survived.

Contemporaneously with this the co-operative stores and in particular the English Wholesale had abandoned generally the principle of profit-sharing with their employees. For this reason a number of the leaders of the co-operative movement, prominent among whom were Messrs. Holyoake, Ludlow and Neale, brought before the Co-operative Congress of 1884 a resolution, which resulted in the establishment of a propagandist association called “The Labour Association for promoting Co-operative production, based on the Copartnership of workers”: and abbreviated shortly afterwards into “The Labour Copartnership Association.” The object of the Association is now defined thus:—“To bring about an organisation of industry based on the principle of labour copartnership, that is to say, a system in which all those who are engaged shall share in the profit, capital, control and responsibility. With this view it seeks (1) in the co-operative movement to aid by its propaganda and advice all forms of production based on the above principle; (2) in other businesses to induce employers and employed to adopt schemes of profit-sharing and investment tending in the same direction.”²

The members of the Association are private sympathisers and co-operative societies. The methods of its action are (1) to win public opinion to the acceptance of its ideals by the circulation of pamphlets, lectures, and in particular its journal called “Labour Copartnership,” which was established in 1895; (2) to assist working men in the setting up and the management of productive societies with advice, and not with money; (3) to hold conferences³ in different parts of

¹ Quoted by Mr. H. Vivian: Commission of Labour (Sitting as a whole), Q. 7536.

² Monthly Journal “Copartnership,” Standing Statement on first page.

³ The Annual Show of Labour Copartnership products is still held at the Crystal Palace, but it is now conducted under a Joint Committee, on which the Labour Copartnership Association, the Co-operative Union and the two Wholesales act together,—a *rapprochement* which is welcome to co-operators in general.

the United Kingdom for the discussion of co-operative problems; (4) to secure the fair recognition of copartnership societies in the Annual Congress of the Co-operative Union, which represents the co-operative movement as a whole. For this work the Copartnership Association is a propagandist association by the side of a propagandist association, created because the larger association, the Co-operative Union, while retaining a minority of unusual personal strength favourable to the copartnership idea, nevertheless draws the bulk of its members from stores in sympathy with the English Wholesale, which is indifferent, if not hostile, to copartnership.

On the one hand, the Labour Copartnership Association covers a wider field than workers' co-operation. For it recognises among its adherents private firms with schemes of profit-sharing, especially if these include the representation of workers on the management. Among others, some half-dozen British gas companies are included in its reports, in particular the South Metropolitan and South Suburban companies, which admit employees on the board of direction. But the Labour Copartnership Association, while advertising those schemes, cannot claim their authorship and inspiration. The South Metropolitan scheme, for example, was due to the initiative of its manager, Sir George Livesay. These achievements appear in the returns of the association under the heading of the "Transformation of capitalism." This is correct enough, provided it is remembered that the transformation is due to the initiative of the employer and that its continuance depends on his good-will. On the other hand, the Labour Copartnership Association does not admit societies which are only nominally co-operative. But in those societies which accept its principles its work has been more directly creative. The Copartnership Association entered the field when productive co-operation among workers in Great Britain was well nigh extinct: and the movement to-day owes to it all its organisation and no little of its success.

The requisites of recognition by the Association are three: (1) that in virtue of their position as workers, the workers

shall receive a share in profits in addition to their trade union or standard wage: it is not claimed that they shall receive the whole profit; (2) that in virtue of their position as working shareholders, the workers shall have a share in the management: it is not claimed that they shall have the whole management; (3) that this arrangement shall be a matter of fixed rules so that the privilege of the workers shall be definitely secured, and not left to the caprice of individuals, to be given or withheld as a matter of favour. The Association is thus very elastic. With respect to workers' societies, it does not regard the old self-governing workshop as the only true type. Instead of isolating workers' societies as a limited number of "copartnerships" after the old style of "co-operative productive societies," it considers them as one manifestation of the principle of labour copartnership, which is applicable to every form of industrial organisation, and which provides the basis for a new relation between capital and labour higher in every sense than wage service. As such, therefore, the Association covers not only workers' societies, which are in a modified form autonomous, but also other forms of co-operative association, consumers' and private firms, which conform to its principle. In its returns it differentiates between workers' societies and private firms, but not between workers' societies and other forms of co-operation. Admitting fully the unity of principle which binds the two, we may still legitimately consider a workers' society created by workers with the express object of realising this principle, as an achievement of a different order from a co-operative association, which realises this incidentally and not as its *raison d'être*.

In 1893 the Association counted 77 workers' societies as labour copartnerships, and in July, 1906, 132.¹ Of these 123 are in England, 7 in Scotland and 2 in Ireland.

The seven Scotch societies account for more than half the capital and considerably more than half the trade. Two of

¹ Labour Copartnership Association, 21st Report, 1905-6, pp. 19-20.

these societies, the Scottish Wholesale (Productive Departments) and the Glasgow United Baking Society, supply more than nine-tenths of the Scotch total: and these are not workers' societies, but the two associations of consumers in Great Britain which make express provision for the admission of their workers as shareholders and their representation as shareholding workers on the board of control. Although these workers can never hope to form more than a very small percentage of the whole board, still even a limited representation is calculated to produce the desired feeling of copartnership in the concern: and their influence is likely to be greater than in proportion to their numbers, as their knowledge is closer than that of the ordinary shareholder. Workers' societies however are almost non-existent in Scotland. The Paisley Manufacturing Society, which started as such, has now fallen practically into the hands of the stores. The Edinburgh Printing Company is very imperfectly co-operative.

The majority of the 123 English societies are genuine societies of workers, who have created the business and possess a decided share of responsibility. Since they seek to realise a more difficult ideal, their course has been more chequered and their progress now is slow. Between 1893 and 1899, they rose from 72 to 97. But although they grew steadily, each year saw an average of 6 to 8 failures. As the English societies produce partly for the open market, they have not the same assured market as the two big Scotch societies, and consequently perhaps they have felt industrial crises more keenly. The war in South Africa seems to have arrested progress in 1899, and although the numbers in 1906 stood at 123, as compared with 97 in 1899, this increase is not in the general line of manufacturing concerns, but in two new directions, first of Tenants' Building Societies, and secondly of Agricultural Societies, which are a reflex of the movement in Ireland.

The constitutions of the manufacturing societies of England, which alone are workers' societies proper, present such a variety in detail that they are hard to classify. Perhaps it is possible to make a rough division as follows:—

First, there are the societies which in the main consist of individual shareholders who are in most cases workers for the society or hope to become so as the capital and business connection grow. Speaking very roughly, these are the societies which produce for the open market. The Walsall Locks and Hardware Society is typical of this class. This society originated in 1873 out of a strike on the part of a few workmen, who were discontented with the low rate of wages in the district. At first they made padlocks only, but have added since a chain department, and have now amalgamated with another society, which had been established to make builders' and cabinet-makers' locks. It is now the largest padlock-making concern in the country, and has a well-equipped factory. The managing committee, consisting of employees, is appointed by the shareholders, who are mostly employed in the society. The wages paid are the best in the trade, and the share of profit going to labour has added for some years from 5 to 10 per cent. to its remuneration. Its market is mostly outside Great Britain. In addition to securing good conditions of work for its members the society has conferred great benefits upon the small iron industry in general, which thirty years ago was one of the most sweated. It set the lead in abolishing out-work and substituting factory work with moderate hours and decent pay.

Secondly, there are the societies which are composed in about equal numbers of individuals, as in the former class, and of co-operative store societies, which provide a part of the capital and a market for much if not all of the produce. The Kettering Clothing Society is typical. This society originated among the clothing operatives of the town of Kettering; but the support of the active spirits connected with the local co-operative store was secured, and co-operative stores all over the country are now shareholders and constitute the market. The society has a well-equipped factory and works the eight-hour day. The committee, which consists partly of shareholding employees and partly of ordinary shareholders, is elected at the shareholders' meeting, which consists of the individual shareholders

(mostly working for the society) and delegates from the shareholding co-operative stores.

A classification of societies in the Labour Copartnership Association,¹ according to the nature of their work, gives the following figures :—

Building, Wood, etc.	-	-	-	32
Textiles -	-	-	-	20
Boots, Leather, etc.	-	-	-	17
Agricultural	-	-	-	17
Printers -	-	-	-	14
Metal Trades	-	-	-	13
Various -	-	-	-	17
Total	-	-	-	<u>130</u>

From these figures are excluded the two big Scotch societies, the Scottish Wholesale Society (Productive Department) and United Baking Society (Glasgow). It is obvious that in these two associations the industry is selected not because the workers find it peculiarly suited to the possibilities of copartnership, but because the consumers find it one in which they can produce most easily for themselves.

But the list itself includes two classes of society which do not fall under the head of workers' societies.

The agricultural societies, with the exception of the Assington Farms, Suffolk, which are not a great success, are societies of farmers, who incidentally share profits with their employees, without however admitting them to the committee of management.

The tenants' building societies, again, which are eight in number,² all of them established since 1900, with the exception of a general parent society, the Tenant Co-operators, Limited, founded in 1888, are structurally associations of consumers, employing a certain amount of outside capital. Such a society erects substantially-built houses, provided with good sanitary and other conveniences, which it lets at ordinary rents to those of its shareholding members who

¹ Cf. 21st Report, op. cit., pp. 19-20.

² Increased to 15, August, 1907. Cf. also C. Webb, *Industrial Co-operation*, pp. 180-1.

desire to reside in them. After paying interest at 5 per cent. on share capital and at 4 per cent. on loan capital, the society divides the surplus profit, partly among the employees (builders, repairers, etc.), in proportion to their wages, partly among the tenant-members in proportion to their rents. The latter's portion is in share capital and not in cash. In this way, as the society grows, the amount of capital held by tenant members increases as against that held by outside investors.

Money can be obtained on good terms because the share capital of the tenant-members affords a constantly increasing guarantee fund upon which the society can, if necessary, draw in order to recover arrears of rent, so that loss under this head is practically impossible. None but tenant-members receive a share in the dividend on rents, and they only receive a share proportionate to the rent which they themselves pay, whatever be the amount of capital held by them. The tenants thus have an unlimited field for the investment of capital, while the society runs no risk of capture by capitalists in search of high dividends. Just as the store, after paying 5 per cent. on capital, returns the remainder to those whose custom made the profit possible, so the tenants' society secures the so-called unearned increment of the property to those whose presence has caused the rise in value. Moreover, the society will be apt to realise greater profits than an ordinary landlord, because it is in the interests of the tenant-members, who receive the surplus profit, to reduce expenses by looking after their property, by being punctual with their rent, and by hunting up new tenants for empty houses. Such co-operation is of great value, and, like co-operation in a bank or insurance society, it costs the co-operators nothing but their own trouble. Moreover the system avoids the danger of the ordinary building society, namely that a workman, who wishes to leave the neighbourhood, may find his house a kind of white elephant of which he cannot dispose without loss to himself. For by taking as his security scrip for shares in an association of tenant-owners, instead of a deed of a particular site and house, the tenant averages the risk of removal with his

copartners in the tenancy of the estate. When he leaves the neighbourhood, he will be able to sell his shares more easily than he could a house. If he prefers to retain his shares, he will receive 5 per cent. interest; but this interest is fixed, so that the society's capital is not likely to fall into the hands of ex-tenants who cling to their shares because of the high dividend they bring.

It is sufficiently obvious that the principle of copartnership in such societies is realised principally in the union of rent-receivers and rent-payers, the masons and joiners being only an incidental element in them and not their *raison d'être*. Such societies, so far as in them lies, take the employees into copartnership, but it cannot be supposed that their success is predominantly or even considerably due to such copartnership.

We come now to the genuine societies of workers. Even after deduction of the tenants' societies, the building and furnishing industries still supply the longest list. Half of them, however, are not more than six years old, and some are of very small size. Workers' societies naturally tend to spring up in this industry, because the initial capital required is comparatively small and the work comparatively skilled. Hence, though there are a number alive now, there is a long death-roll in the past. Such societies in fact are constantly face to face with a dilemma. If the work required is simple and uniform, a big house can carry it on at a low cost, while if the work is large and complicated, a small society finds it hard to supply high technical ability, in designing and architecture for example, in which a big house can make a speciality. This was the experience of the small society of Cambridge builders, which perished some years ago.

The other four groups of societies, the metal, printing, textile, and leather societies, are on the whole large societies with big capital. In the metal and printing trades, the worker operates on expensive materials; and although machines are employed, the worker is master rather than servant of the machine. An *esprit de corps* is here especially valuable in minimising the risk of scamped and

imperfect work, which would take away the whole value from the material treated. The point, however, must not be pressed too closely.

In the textile and leather societies, and in the printing societies also, a new factor enters, the custom of the working men's stores. This is especially characteristic of the leather societies, which are perhaps the most flourishing workers' societies in England and which supply stores almost exclusively. Independent causes of success have been suggested, first that the members can save much waste in the cutting up of raw leather, if they choose to exercise special care; and secondly, that the industry is democratic, *i.e.*, the gap between each grade of work from the least skilled up to the foreman and manager is not excessive, so that the workers are able to understand the different processes and make a more intelligent use of their position as committee-men. Such a consideration seems valid, as opposed, for example, to the mining industries, where speculation and slow return of capital are inevitable. The Bethesda Quarries Society in North Wales, which was founded in 1903, stumbled at once against a characteristic difficulty. £30,000 was needed for the preparation of the ground, with no prospect of a return for some years. The working man investor, who was asked to support his brother workers, was not quick to respond to the appeal for capital; he prefers—and naturally enough considering his position—to see some return at an early date. But the main cause of the leather societies' success is certainly the organised market afforded by the consumers' societies, especially since changes of fashion are less frequent among working men than among the upper classes.

What are the material results to the worker? Described in words they are impressive; translated into figures they appear insignificant. The worker in a flourishing society receives:

- (1) His wages as an employee;
- (2) A certain percentage, usually one-third of the net profit (*i.e.*, profit after deducting a fixed rate of interest on capital), reckoned according to the amount of his wages;

(3) A slight extra payment for his work as a member of the committee (if he is on the committee);

(4) A 5 per cent. interest on his capital holding, received by him in the same way as by other shareholders;

(5) A share in the benefits of the provident and educational fund.

The distinctive reward of the workers' society is the share in the net profits allotted to labour. Out of 105 societies in 1904,¹ 59 made a profit over and above a 5 per cent. return on capital, and of these 41 actually allotted a part of this benefit to labour, which amounted in all to £5,612. The leather and metal societies were responsible for the greater part of this sum. It is therefore obvious that success, as tested by profit-sharing, is confined to less than half the total number and that even here the sum is small. However, it must be remembered that profit only emerges when labour and capital have already received a first remuneration, so that an absence of profit may only mean that the society has attained no special success; and also that certain of the younger societies place all their net surplus to reserve fund for the purpose of securing and extending the business.

It has however been contended that this profit, when it does emerge, is a fraud, and that what the worker gains in profit he loses in wages. This statement is unfounded, and, so far as statistics exist, capable of direct disproof. Investigation made in 1900 with regard to 24 workers' societies,² gave the following results:—(1) that where there was an effective trade union in the district, the copartnership workers were nearly always members; (2) that the wages paid by copartnership societies were higher on the whole by 9 per cent. than the trade union rates in the district, while the average number of hours worked per week was 51 as against 53 in outside workshops. These figures are incomplete, but they sufficiently rebut the suggestion that workers' societies habitually derive their profit from the reduction of wages. The relations between the societies and the trade

¹ Congress Report of Co-operative Union, 1905, Paisley, p. 133.

² Extract, in *résumé*, from a paper read by Mr. Robert Halstead, before the economic section of the British Association on September 10th, 1900.

unions have been all but uniformly satisfactory. Strikes on the part of employees in a workers' society have been almost non-existent, although they have occurred more than once in the productive departments of the Scottish and English Wholesale Societies. From the foundation of the Labour Copartnership Association down to the present, trade unionist leaders have played a prominent part in its conferences and meetings; and on several occasions have held the office of president. Nothing illustrates more significantly the position of workers' societies in England at the present day—a position frankly within the scheme of modern industry, capitalistic but democratic, of limited extent but, where successful, a pattern to neighbouring employers.

It would be interesting to know the exact weight of the working members in the English societies. But statistics are very apt to mislead. For example, the test of capital holding is insufficient. Capital, of course, gives the right to a vote. But it is the rule of nearly all such societies that one member has only one vote whatever the size of his holding—with a slight exception in favour of society members, who are usually allowed several votes if their investments are large. Consequently the worker, who may only have a minimum of capital, exercises as much authority in the general meeting as the richest private shareholder, and, as he lives on the spot and can more easily attend the meetings, his real power will be much greater.

The test of committee membership is within limits more relevant. In 1899 the percentage of workers on the committees of workers' societies in England was 35 per cent. of the whole; in the textile and leather industries this percentage is as high as 70 per cent. It is undoubted that the power of the workmen in these latter societies as a whole is greater than in the others. But the test will not hold as between society and society. For even if the workers are a minority on the committee or excluded by rule altogether, as at Hebden Bridge, they are often able, by reason of the general spirit in which the society operates, to dominate the policy and conduct of the official committees.

The figures contained in the Abstract of Labour Statistics¹ of the United Kingdom are apt to mislead. They are given for "Associations for Production," and read as follows:—

	<i>Year</i>	1901	1902	1903	1904	1905	
I. Number of Societies to which particulars relate	- - -	257	309	344	391	389	
II. Membership—							
Employee-members constitute	- -	7'9	5'9	5'3	5'4	5'4	per cent. of all members.
III. Employees—							
Employee-members constitute	- -	43'5	39'7	37'7	40'6	39'7	per cent. of all employees.
IV. Management—							
Employees constitute	- -	12'0	8'1	8'0	8'2	6'8	per cent. of the committees of management.

This has led foreign writers² to observe that the workers' societies are increasing as fast as they are losing their essentials. Now, as a matter of fact, the workers' societies are stationary at about 100. The Board of Trade, by grouping together the workers' societies and the rapidly-growing societies for dairying and agricultural production generally, not only gives a misleading impression, but supplies a figure which is quite useless. For even if it is desirable that agricultural societies should make copartners of their employees, the act has a different significance from copartnership among industrial workers established by themselves.

Even without the agricultural societies the remainder is not quite equivalent to the number of workers' societies, for it includes certain societies for the preparation of bread and foods (in 1905, 24), which are owned by the co-operative stores. There is in fact no ground for the belief that in the English workers' societies the influence of working members is declining.

Although the ideals sought by the workers' societies involve them in difficulties which prevent a quick expansion, the English societies have experienced opposition from a

¹ 10th abstract, p. 177; 11th abstract, p. 177.

² Cf. M. Ch. Gide, *Economie Sociale*, Paris, 1905, p. 400. (Corrected in second edition).

quarter whence they expected help. They expected from private buyers a certain reluctance in dealings with "co-operators," who were imagined to be unbusiness-like, sentimental working men, ignorant of their proper place; and some of the societies, which supply the open market, have found it prudent to drop their co-operative title in tendering for contracts. But what they lost in the open market, they hoped to make up in the organised market of consumers' societies. However, although many individual societies have supported them, notably in Lancashire and Yorkshire, the wholesale federations, the English Wholesale in particular, have developed production within their own organisations to the injury of the workers' societies. Moreover, they have carried out their policy in ways which made this injury peculiarly direct and unpleasant. First, both the Wholesales have bought up businesses and the English Wholesale has reformed them on lines which exclude the form of copartnership that is outwardly similar to the workers' society. The Leicester Hosiery Society in 1904, the Desborough Corset and Huddersfield Brush Societies in 1905, were absorbed by the English Wholesale; the Ettrick Tweed Society by the Scotch Wholesale as early as 1896. Secondly, they have entered into direct competition with workers' societies by setting up rival establishments in the same district; witness the experience of the Thames Ditton Cocoa Works, and the Newcastle Cabinet-makers in England (in the last case with fatal results); and that of the Glasgow United Baking Society (itself practically a society of consumers) in Scotland. The last still flourishes. The "Equity" Boot and Shoe Society, Leicester, was established by the employees of the English Wholesale's factory, who seceded and set up in opposition, when the latter shewed itself hostile to profit-sharing.

Thirdly, the stores, wholesale and retail, have not invested capital with them to the extent which they might safely have done. It is true that in the 60's the stores were badly hit by rash investments in unsuccessful and often bogus productive societies, but prudence in the other direction has been carried to extremes. This has not been for lack of

funds, which are so abundant that the stores have large sums invested in railway companies, as well as big balances lying idle at the bank.¹

Such being the case, how far have the workers' societies means of improvement in their own hands? The Productive Federation, which includes the biggest societies in England, attempts this task in three ways: (1) it provides a common fund for the advancement of capital on good security; (2) it acts as intermediary between the societies and the retail stores which buy from them, adopting what is called the "Joint Invoice" system, whereby stores which take goods from a number of workers' societies can pay in bulk; (3) it has in view the opening up of new markets. Its operations, however, are on a small scale. The staff is represented by two men, the secretary and the accountant. If the scale of the Productive Federation could be extended and if the small retail dépôt, now existing in London, could be developed, the goods of the societies might become better known, and the societies in industries in which there are a number of them, such as the leather industry, would be safe from the possible danger of under-bidding each other in the open market. It has been suggested² that outside capital might be more easily attracted if the workers, instead of withdrawing their profits in cash, capitalised them and formed them into a reserve fund, which would guarantee the ordinary shares. These accumulated shares would receive the same rate of interest as ordinary shares and they would stand in the name of individuals, not in that of the society, so as to withdraw any temptation to the rejection of new members; if in any year the balance-sheet showed a loss, the amount of that loss would be written off the capitalised shares, each holding being reduced in the same proportion per £. Although in most societies the worker's share in profit is generally retained, to accumulate as a fund for the

¹ This criticism applies to the roughness with which the change of policy has been carried out rather than to its economic justifiableness.

² Cf. Aneurin Williams, "A plea for more complete federation between Copartnership Boot Societies," p. 1 (pamphlet): and also ditto, "The Constitution of a Copartnership Society," p. 7 (pamphlet).

purchase of shares for him, this further suggestion of a general reserve fund of workers' capital has only been applied to a few of the newer societies.

There is, however, no sign that these measures are likely to bring about any large expansion of the movement in the near future. The founders of the Labour Copartnership Association have seen thwarted their hope that the workers' societies conforming to their principle would expand with the expansion of the stores, supplying the ever-increasing wants of the stores through a federation of the latter, which should confine itself to distribution. But at the same time there is no sign that the store custom will in the near future be further contracted or that the workers' societies themselves are in any way retrogressing. If ever they should be taunted with the smallness of their material results as compared with the stores, they might fairly reply that the ideal after which they strive is chiefly non-material, the reconciliation of the frequently conflicting interests of labour and capital. The workers' societies have attacked this problem from below, just as their allies, the employers and employing firms adherent to the Labour Copartnership Association, have approached it from above.

CHAPTER III.

FRANCE.

Societies of 1848—Exceptional Societies: Godin's Phalanstery of Guise, Lunetiers of Paris, Cab-drivers—Ordinary Societies—Classification by Industries—Present Increase under the Direction of Chambre Consultative due to Outside Assistance from (1) Banque Co-opérative—Loans from the State—Legs Rampal (Paris); (2) Gifts from the State; (3) State Custom—Regulations favouring Societies in State Contracts: Importance of this favour—Contrast between English and French Workers' Societies.

By 1851 the societies established in 1848¹ had nearly all disappeared. There were many reasons of failure; the law compelled their registration as private partnerships with unlimited liability; the members were carelessly selected; the directors were inexperienced; too much help was given by the State, which provided not only a market for their work, but also a capital of 3,000,000 francs for their foundation. Hence societies sprang up merely to enjoy the subventions, and then looked for employment from the institution which had called them into being. The right to work was interpreted as a right to have work found for them. The State indeed made conditions, but they were conditions which insured democracy rather than stability of constitution.

The workers' societies of the present day continue to bear traces of their State-nourished origin. Those societies which are really democratic owe no little of their success to State help and also to private philanthropy. Those societies which are not democratic or are at any rate not societies engaged in manufacture are the most independent and self-sufficient.

The societies of the latter class are Godin's establishment at Guise, the "Lunetiers" (Spectacle-makers) of Paris, and 16 societies of cab-drivers, mostly in Paris.

Godin's establishment,² one of the largest stove factories

¹ Cf. above, p. 221.

² Cf. A. Williams, 20 Years of Copartnership at Guise.

existing in France, is Fourier's Phalanstery in actual life. The workers, their wives and their children, live in blocks of buildings adjoining the factory; their household requirements are supplied from the society's store; the children of the women workers are brought up in the society's "crèches" and schools. Godin began by profit-sharing with the workers, and on his death in 1888 he bequeathed to them the whole of the share capital of his business. An unconditional bequest would have defeated Godin's own ends; in the place of one large employer he would have planted an army of small ones. Hence the shares only belong to the worker so long as he remains at work at the factory: on retiring, he is paid the value of his shares in cash, out of a fund created from the reserved profits of the younger members; who in turn on their retirement receive back the money from their successors. The whole of the capital thus remains in the workers' hands. The members are divided into five classes:—associés, sociétaires, participants, auxiliaires, intéressés. The first consist of the older members, who alone vote in the general assembly: they have two shareholdings. The second have one and a half shareholdings, the third have one. The "auxiliaires" are apprentices in their first year, and they receive no share in profits. Workers move from one class to another by seniority. The "intéressés," though receiving a share in the profits, do not work in the factories; they are chiefly members of the Godin family, who have been granted by his will certain rights.

The profits are divided between labour, capital and talent:—five-twelfths to the first, four-twelfths to the second, three-twelfths to the third (which is presumed to be represented by the director). But the method of calculation is peculiarly favourable to the worker. Godin considered that the workman was to his salary as capital to the interest paid upon itself. £50 of wages therefore is entitled to the same share in profits as £1,000 of 5 per cent. capital.

The justification of Godin's scheme is that it flourishes at the present day. But the only lesson which it has for workers' co-operation is the demonstration that employees

under a carefully-defined and somewhat aristocratic constitution are capable of carrying on a big business built up by another. Curiously enough it was the creation of Godin which was constantly before the minds of the promoters of the Labour Copartnership Association in England. The successful societies in Walsall, for example, have imitated the device of allotting to share capital in addition to the fixed 5 per cent. interest a further remuneration calculated upon this interest and not upon the principal sum. The Guise society is an instance of a successful balance of power, but when English co-operators hold this up as a model to the consumers' federations, they exaggerate its significance, forgetting that Godin's work is an act of philanthropy, while the consumers' federations are the creations of working class consumers, whose first duty is to the members who made them. If a consumers' federation practises copartnership, it is the copartnership of the South Metropolitan Gas Company and not the copartnership of Godin. Copartnership, that is to say, is not their *raison d'être*.

The society of "Lunetiers,"¹ or spectacle-makers, of Paris is a very old and very rich society, one of the very few which date back to the first period of 1848. Its history is the reverse of that of the Phalanstery of Guise. It was of purely democratic origin, starting in a humble fashion with 13 members all of them workers, and gradually growing into a large business without much trace of copartnership. The members are of two classes—full members and adherents. New members are very rarely admitted, and the large number of non-member workers are allowed no share in profits. In 1900 there were 50 full members, 50 adherents, and 1,200 *auxiliaires*.

The societies of cab-drivers resemble agricultural societies for the common use of machines. The "Union de Cochers" of Paris is the biggest of these societies. The society owns stables, horses, carriages and harness; the members, who must subscribe a share of 4,000 francs, pay in daily a fixed portion of their receipts, which are re-distributed as interest

¹ Cf. Report on Contracts to Associations of Workmen, pp. 97-99.

on the shares at the end of the year, after a deduction for working expenses. The now almost universal employment of the taximeter in France facilitates the regulation of these payments. The employees who are engaged in the building and the repair of the stock are granted no share in the profits. The attempt of the cab-drivers to build dwellings for themselves close to the carriage works failed, because of the quarrels among the members' wives.

The Government inquiry¹ on the "Associations Ouvrières de Production" published by the "Office du Travail" in 1897 illustrates forcibly the predominating importance of these three special types of society in the French movement. They are responsible for about one-half of the total trade, for more than half the net profit, and for three-quarters of the working capital.

The remaining societies numbered 340 in 1906.² The following classification applies to the 338 societies (including the special societies above-mentioned) which were actually at work in 1905.

Agriculture and Mines (woodcutters 2, state quarries 3)	-	-	15
Food (bakers 3 ; brewers 3)	-	-	9
Chemical products (photography 2)	-	-	7
Books and paper (printers 24)	-	-	33
Leather and skins (shoemakers 12)	-	-	25
Textiles and clothing (weavers 8)	-	-	24
Metals (locksmiths 6)	-	-	36
Wood (polishers 2)	-	-	28
Building (general building 12 ; carpenters 11 ; joiners 11 ; masons 8 ; painters 9)	-	-	112
Stone and glass work (glass polishers 5)	-	-	13
Transport and furniture removing	-	-	25
Others	-	-	11
			<hr/> 338 ³

The agricultural societies, it should be noted, are real workers' societies, occupied in rural industries, such as

¹ Paris, Imprimerie Nationale, 1897, prepared by M. Arthur Fontaine.

² Extract from Bulletin du Travail for 1907.

³ The Government "Statistique" issued in September, 1907, records 362 societies at work in 1906.

forest-cutting, and not societies of farmers such as are included in the English returns.

Of the 338 societies, 130 were situated in the departments of the Seine (Paris) and of the Rhone (Lyons).

The Inquiry of 1897 made a special analysis of the origins and constitutions of the societies and of their relations with the trade unions. The societies from which evidence was obtainable numbered 172. The analysis shews that the typical French society is a small one of about thirty members employing the majority of its members in its workshop. Very few societies have been built out of private businesses. In Paris especially they have been started through the propaganda of local demagogues, making appeal to the two most responsive traits in the French workman, idealism and independence. "But oftener still and notably on all the occasions in which the original members are numerous, it is from a trade union organisation that the productive association, more or less directly, springs."¹ Here the most general impetus has been a strike. Sometimes, *e.g.*, "la Lithographie parisienne," the trade union has created the societies in order to prolong the resistance to the employers: sometimes, *e.g.* the Charpentiers de la Villette, the trade union has been imbued with Owenite ideals of the reformation of industry through the ownership of the instruments of production. A few societies, *e.g.* Piqueurs de grés de Paris, point back to no actual strike, but are rather the remnants of a decayed union that could no longer present a general front to the employers.

The connection with the trade unions is solely one of origin. The societies operate independently and are often regarded with enmity by the union which represents their trade. A few, however, *e.g.* Tapissiers de Paris, maintain a "caractère corporatif," *i.e.*, regard themselves as an aspect of labour organisation, integrally bound up with the organisation of the trade as a whole. This society gives employment by rotation to unemployed members of the trade, whether they are members of the union or not.

¹ Inquiry, p. 578.

The report illustrates the looseness of the connection between the Societies and the Trade Unions from the answers given by the former to the following double inquiry:—"To be admitted a member of a society (*a*) is it necessary to be a member of a trade union, (*b*) is it necessary to work in the workshop?" Out of 172, no less than 87, comprising 2,835 members, replied (*a*) no, (*b*) yes.¹

The typical societies are indeed quite alien in spirit from the spasmodic efforts at associations in the glass trade, which are more working men's demonstrations than sanely-conducted businesses. The "*verreries ouvrières*" (working men's glass factories) all sprang out of strikes:--the "*Verrerie Stephanoise*," founded in 1891, the "*Verrerie du Rive de Gir*," founded in 1885, but deceased in 1896, the "*Verrerie ouvrière d'Albi*," founded in 1895. They are working men's dreams put into practice in chaotic fashion. Chance patronage set them going. The "*Verrerie d'Albi*"² was built with the help of 100,000 francs bequeathed by an eccentric female, Mme. Dembourg. Political factions squabbled over the heritage: was it to be a "*verrerie ouvrière*," as said the "*allemandistes*," led by M. Jaurès, *i.e.*, a "*verrerie*" controlled by working men of all classes? or a "*verrerie aux verriers*," as said the Guesdistes, *i.e.*, a "*verrerie*" controlled by the glass-workers? The former prevailed, but, be it noted, the shareholders are trade unions and co-operative stores, not the above-mentioned workers' societies. The "*verrerie*" flourishes in haphazard fashion, chiefly through the patronage of the stores, who have bought their bottles; but it is said that the patronage will hardly be retained now that a rival manufacturer has discovered and patented a glass-blower which largely reduces the expenses of production. Both the "*Verrerie d'Albi*" and the "*Verrerie Stephanoise*" have suffered from boycott by the suppliers of raw materials, from lack of capital and from hopeless indiscipline. The former society was nearly killed at its birth because the manager dared to

¹ Inquiry, p. 243.

² Cf. *La Verrerie ouvrière d'Albi*, L. de Seilhac, Paris, 1901.

dismiss three insubordinate workers. In the latter, on the day of opening the workers "danced at their places, saying that now they were at home and had no need to work." It is sufficiently obvious that such societies are nothing more than ephemeral ebullitions of democratic passion, significant as protests, but meaningless as a type of business association.

There are three federations in the French movement, but two, those of Lyons and Bordeaux, are subordinate provincial federations. The national federation, which comprises most of the existing societies, is the "Chambre Consultative," the Labour Copartnership Association of France.

The Chamber was founded under the auspices of the trade unions in 1884, and met at the offices of the "Moniteur des Syndicats" until 1889, when it became independent and, if not itself hostile to trade unions, at any rate drawing the bulk of its members from hostile societies. In 1884 the Chamber numbered 29 societies only: in 1897, at the time of the Government inquiry, it numbered 97, out of a total of 172: in 1904, 173: in January, 1907, 198. Apart from special Government inquiries, the Chamber is the sole source of information, and as it refuses to publish any statistics, no detailed figures of the financial position of its members are available.¹ But it may be said that, with the exception of the cab-drivers' societies, of which only three are members at the present time, the Chamber includes practically all societies which admit working members to the committee of management, which grant the non-working members a share in profits, at least 25 per cent., and which devote a certain percentage of their profits to works of consolidation, propaganda and social emancipation, such as sick funds, orphanages (the Chamber has itself an orphanage for the children of the societies' workers, which was established in 1901) and popular universities. These societies constitute the vast majority of all workers' societies.

The aim of the Chamber, as revised by the Congress of

¹ The "Statistique" of 1907 does not give detailed figures as to profits.

1900, is "to group in common action all the associations of working men producers, in order to facilitate for them the obtaining of orders, whether by joint enquiry or reciprocal support, and to encourage the development of the principles of co-operation by placing at the disposal of young associations the benefit of the experience acquired by the old ones. From the industrial point of view, the Consulting Chamber puts producer and consumer in direct contact; from the social point of view, it recommends, without bias, progressive ideas which are calculated to raise the rate of wages to a level adequate to the needs of existence."¹ The movement in France, under the auspices of the Chamber, is increasing fast: and the development is on the orthodox lines of societies founded and controlled mainly by working men engaging in manufacture. It remains, therefore, to inquire why the movement is developing in France, while it is almost stationary in England. The answer to this question is three-fold, and in each part of the answer the predominating feature is assistance from outside.

First, cheap loans obtained from the "Banque co-opérative des associations ouvrières de Production de France" (Co-operative Bank of French societies of working men producers).² As in the English Productive Federation, the members are workers' societies. The business of the bank is (a) to make definite advances on work done for private customers, but not yet paid for; (b) to discount trade bills of exchange; (c) to open current accounts; (d) to make long term loans for the extension of businesses—provided, however, these loans do not exceed one-tenth of the capital and reserve; (e) to supply the caution monies demanded for public contracts. But, unlike the English Productive Federation, part of the capital has been provided by outside generosity. In 1894, one year after the foundation, M. Faustin Moigneu presented the bank with a working capital of 500,000 francs as a permanent gift, settling in the above terms the nature of the credit operations in which the bank

¹ Congrès des associations ouvrières de production, Paris, 1900, p. 259.

² Cf. Inquiry, op. cit., pp. 121-137.

was to engage, but not specifying in detail particular conditions or the particular rates of interest to be charged. In addition to this, the French Government, acting through an extra parliamentary committee, uses the bank as an intermediary for the administration of a special State fund charged on the general budget. The bank receives this money free of interest, and is required to loan it out at 2 per cent. interest to societies selected by the State as worthy of assistance. The bank in this way loaned 77,500 francs to 20 societies in 1905, but the fund is not its own capital, the loans being repaid to the State as they fall due, and then re-invested through the bank with other societies.

In addition to the loans furnished by the co-operative bank for societies throughout France as a whole, those in Paris also receive loans from the fund known as the "Legs Rampal."¹ This is a legacy of 1,400,000 francs bequeathed by M. Rampal in 1879 to the municipality to be administered by them for the purpose of granting credit to Parisian societies; two-fifths of the sum, being charged with an usufruct, is not yet available. In the first period of its existence (1883-90) the funds were administered carelessly, and out of 700,000 francs of loans made 200,000 francs were lost. Since 1890, the administration has been more cautious; two-thirds of the remaining fund has been invested in 3 per cent. "rentes," of which the interest only can be touched, and stricter conditions are imposed on the borrowing societies:—(1) No societies are admitted to the fund until they have been in active existence for some time; (2) the loan may not amount to more than half the available capital of the society; (3) the loans are granted for three years only, although renewals up to nine years have been rarely refused; (4) the money is repayable by instalments, but it is recalled at once if the instalments are not punctually paid or if a three-monthly balance is not presented; (5) the administering commissioners have at any time the right to visit the society and examine its books. Between 1890 and 1901 only 30,000 francs were lost. From the Government inquiry of

¹ Cf. Inquiry, pp. 46-63.

1897, it appeared that the chief borrowers up till then were the cab-drivers, the joiners and the printers. From 1883 to 1901, 127 distinct loans were made in all, averaging 11,000 francs each.

Secondly, outright gifts from the State to individual societies. Here the extra-parliamentary commission deals directly with the societies, selecting those which, while giving proof of vitality, are labouring under difficulties of recent formation or under special "crises."

In 1905, 93,000 francs were distributed among 39 societies. Of this sum the "Chambre Consultative" received 5,000 francs and the "Banque Co-opérative" 25,000 francs. This latter is a capital gift, quite separate from the 77,500 francs loaned through it to societies. 50,000 francs have been given to it in like manner in previous years.

Thirdly, preferential treatment by the State in tendering for Government contracts.¹ Under the decree of 1888 amplifying that of 1881, the following regulations, applicable to the central Government (with the exception of the ministries of War and Marine), to the departments and to the communes, are made in favour of properly-constituted workers' societies:—

(I.) Contracts, wherever possible, are to be divided into sections (*lôissements*), so as to place them within reach of workers' societies. This "sectionalising" may take one of two forms. First, a contract, say for the building of barracks, may be divided among four societies of builders, each society building one wing. This is impracticable in buildings of moderate size, or in any contract where the work constitutes a single piece and derives much of its value from the effect as a whole. In these cases it would be impossible to lodge complaints for bad work with any one society, since the deficiency would be at once attributed by the accused society to the other participants. Secondly, a contract which includes more than one process, say the furnishing and painting as well as the building of barracks, may be divided among three different societies, each

¹ Report on Contracts to Associations of Workmen, pp. 86-89.

occupied with one process. Here supervision is more practicable, since it is fairly clear where the responsibility of one society begins and that of another ends. Such sectionalising is specially suited to the needs of a small society, engaging in a single process, as does the typical French society.

A third form of "sectionalising"—that known as the "split-contract," where the labour is provided by the society and the material by the Government, rarely occurs in France. It is not desired by the societies themselves, who, if they have a guarantee for orders, can obtain sufficient capital from the funds above described. As M. Buisson, the director of the Parisian copartnership of painters, called "Le Travail," whom I visited personally, remarked: "Such a contract would be no use to us, since it is from the materials that the greatest profit is derived."

(II.) The contracts given are placed in two categories. In the first category are contracts under 20,000 francs. These may be given without competition direct to societies. In the second category are contracts over 20,000 francs. These must be publicly competed for, but if there is a tie between a society and a private contractor, the society is given the preference. If there is a tie between two or more societies, a second competition confined to these is held; and if a tie again ensues, the matter is determined by lot.

(III.) In all contracts up to 50,000 francs, societies are dispensed from the necessity of finding caution money.

(IV.) Fortnightly payments are made to societies for work done.

There is no recent record shewing the amount of work actually completed under these conditions. But in the Inquiry¹ of 1897, public contracts formed nearly one-sixth of the total trade of all societies, and this percentage has probably increased as the practice has developed into a systematic policy. For example, the workers' societies have been utilised to the full for public exhibitions, especially the great Paris exhibition of 1900; while joiners' and cabinet-

¹ Cf. p. 554.

workers' societies are constantly employed in the fitting up of public schools. The Parisian societies enjoy the bulk of the custom. As to the efficiency of the work, the following extract from the "Report on contracts given out by public authorities to associations of workmen," published by the British Government in 1896, is probably quite applicable to-day: "That the Paris co-operative societies are to a great extent dependent for their very existence upon the favour custom of the Paris municipality appears undeniable, but that the support given to these societies has inflicted upon the ratepayers of Paris any very serious burden is an assertion it might not, I believe, be easy to defend."²

The influence of State patronage is seen in the number of societies engaged in work such as might be provided by the State. There are no less than 117 societies connected with the building trades; and numerous societies of joiners, carpenters, painters and printers. The French societies contrast with the English in three important respects. The strongest French societies are associations of skilled artisans in the chief town, Paris: the strongest English societies are in machine industries in the provinces. In France the societies are generally hostile to the trade unions: in England they are in sympathy with them and their workers are generally members of them. In France the societies find their biggest customer in the State: in England they look to the co-operative stores for their chief market. But an important similarity still remains. The societies in both countries are in close touch with an organisation constitutionally separate from themselves. Unless the policy of the English Government changes very considerably, English societies are not likely to find any extension on French lines. Nor have the French societies much to expect from their co-operative stores. On the one hand the French co-operative stores have been too ill-developed hitherto to afford any big market outside of the provision of food: on the other hand if they become stronger and establish a powerful wholesale federation, they are more likely to aim at wholesale production by

² Report on Contracts, op. cit., p. 96.

their own federation than to encourage workers' societies through a policy of patronage from which the model store country, England, is already breaking away. In France at any rate it cannot be confidently said that the societies of working men producers are permanent and self-dependent types of industrial organisation.

CHAPTER IV.

ITALY.

Newness of Growth: (1) Bakeries; (2) Industrial Societies; (3) Labour Societies: Braccianti, Muratori—State Custom: comparative unimportance.

“AT the Paris Exhibition (1900), it was France only who had successes in this branch; in 1906 at Milan Italy also has revealed a promising growth of productive societies, while other nations at Paris as at Milan had nothing to shew at all.”¹ (The English societies did not exhibit).

Unfortunately the latest exact statistics are for 1902 (“Lega nazionale delle co-operative italiane”: Milan, 1903). The Government statistics classify by commodities instead of by the nature of the association, so that, *e.g.*, “building” includes the ordinary building society and the societies of working builders, called in Italy labour societies. We are probably well within the present total if we add one-third to the figures which follow for 1902. The societies are arranged in three groups:—

I. “Forni e panifici co-operativi” (co-operative bakeries): 25. A few of these are consumers’ societies, like the French “boulangeries.” But the remainder are societies of bakers. Both kinds are very imperfectly successful—which is attributed² to the habit of credit among customers and the high octroi-duties on bread.

II. “Co-operative di produzione industriale” (“industrial” societies): 153. As in France, the majority occur in the skilled industries (printers, potters, glass-makers).

III. “Co-operative di lavoro e pubblici servizi” (“Labour and public services” societies): 454. They are societies³

¹ A. Schiavi, Article in “La Riforma Sociale”: 15:VIII. :07, pp. 679 sqq.

² E. Giretti, quoted in Statistics of Leg. Nat., *op. cit.*, pp. 186-7.

³ Cf. 6th Inter. C. C. Budapesth, p. 505.

which let out their labour, or take contracts, such as the "braccianti" and "muratori," barrowers, carters, or varnishers, lightermen, stevedores ("stivatori"), breakers-up of vessels, or else societies which undertake contracts for public service, such as laying kerbstones, barrowing away the snow, and doing other urban and rural work.

These societies, which are Italy's peculiar contribution to co-operation, are self-organised labour gangs, usually working on materials provided by the contract giver. The implements and tools provided by them are of small value as compared with the amount of raw material involved. They usually engage a technical committee composed of civil engineers and others, who examine the specifications of work for which it is proposed to tender, direct the execution of the works undertaken and settle the remuneration of the workman. It is rarely that all the members of a society can be employed by the society; but these non-working members do not constitute a separate class, definitely engaged in some other business. They are all prospective workers and in the intervals, when the society has no work for them, they obtain casual work elsewhere. In many societies the rules provide that, where there is not work enough to employ all the members, they shall take it in turns to be employed, preference being sometimes given to men who have been unable to find employment outside. The shares are small, 100 lire at the most, and in many cases none may hold more than one share. The profits are generally distributed as follows:—50 per cent. to the accident and pension fund, the remainder as a bonus to labour in proportion to the wages earned, with occasionally an extra dividend to capital over and above the fixed rate of interest.

The two most important classes of labour societies are (1) the "Braccianti," *i.e.*, navvies, engaged in earth-works, canal cuttings and other forms of unskilled labour; (2) the "Muratori," *i.e.*, masons and bricklayers. It is not easy to see why the latter are not classed as ordinary industrial societies; for some of them, *e.g.*, the "Muratori" of Milan, supply materials as well as their labour. However, in common with all labour societies, they only get to work

on receipt of definite orders; they do not produce for stock.

¹In carrying out any particular contract, the men work in gangs of about 15 to each. It is found that in small groups the *esprit de corps* is easier to maintain, and that mutual supervision is consequently more effective. Each gang works under the supervision of a leading man, who receives, in addition to his ordinary wages, a small percentage (one-half to one-third per cent.) on the aggregate earnings of the men under him. A general director is appointed from among the members to supervise the whole; his lack of experience is the weakest point in the labour society's constitution, and it often necessitates increased vigilance on the part of the contract givers. The latter frequently declare that this weakness is more than compensated by the loyal way in which his fellow-members support him; and by the absence of the friction which frequently occurs between a contractor and contract giver on the one side and a contractor and his men on the other. As in France, the Government² grants preferential custom to both classes of society, both to the "industrial" and "labour" societies. The latter, including as they do the building societies, are naturally the societies most affected.

The first law of 1899, which was modelled directly after the French decree of 1888, was amended in 1904 by S. Luzzatti, the founder of the Popular Bank of Milan and then Minister of the Treasury. The law of 1899 declares that the Government authorities may, either by private bargain or public tender, grant to co-operative societies, be they "industrial" or "labour," contracts up to 100,000 lire, in cases in which the cost of labour constitutes the main part of the job. The law of 1904 does away with the provision that the cost of labour must predominate in the contract. It extends the limit to 200,000 lire, and admits co-operative agricultural societies to the same privileges. It also allows societies a double tender; for example, if a 20,000 lire tender is being offered, the Government informs the society

¹ Cf. Report on Contracts to Associations of Workmen, pp. 167-70.

² 6th Inter. C. C. Budapesth, 1904, pp. 289-94.

not only the minimum rebate which they are prepared to accept, say 12,000 lire, but also the maximum, say 14,000; therefore, as the societies know beforehand the cheapest offer that will be accepted, they stand a much greater chance of securing a profitable contract. In other respects, the law remains the same. Where possible, the public authorities must set forth as distinct items the cost of the labour and the cost of materials, so as to make contracts more accessible to workers' societies, which may elect to contract for labour only. Of course, in navvy work, such as cuttings and embankments, the material is already there. Cautions are excused and payments are made fortnightly. But to secure these privileges, the societies must be inscribed on the lists of the Provincial Prefects, who only grant admission on very strict terms:—No society is allowed to sublet any portion of a contract; all the workers, whether members or auxiliaries (the latter are only allowed in exceptional cases), must share in the profits, in the proportion of wages earned; in addition the Government may inspect the society's accounts as often as it wants. The severity with which these conditions have been interpreted is popularly supposed to account for the comparatively small number of societies on the prefectoral register (203 out of 764 in 1902). A suspicion of Socialistic tendencies has no doubt alienated the Government in some cases. The new law of 1904 is facilitating the admission of the "industrial" societies. On the whole it may be said that, while governmental assistance in France has been a studied and somewhat exaggerated policy, a demonstration of the democratic sympathies of the new republic, governmental assistance in Italy has been judicious and moderate, reinforcing independent strength rather than replacing it.

The "labour" societies first grew up about 1880, a period of distress succeeding to the boom of public employment in the first twenty years of New Italy. The "industrial" societies were some ten years later. Both are in full expansion at the present day: in fact, each year sees a number of new societies, which with amazing rapidity secure sufficient trade for several hundred working members and

retain it. The "industrial" societies are what the French call "corporatif": they are closely connected with the respective trade unions. Some have arisen directly out of strikes, as challenges to employers; nearly all have received at the outset financial support from the trade unions. As business units, however, they are independent.

In Italy as elsewhere "it is the *élites*, the select portions of the working class, who found and make successes of the productive societies."¹ But in Italy the *élites* have not, as often as in France, become the exclusives. Thus in the "Aste dorate" (frame-makers) of Milan, founded in 1892, a big factory very like one of the co-operative factories in Kettering, England, there are 500 members and 280 employees, every one of whom, man, woman and boy, is a shareholder. Rather has the danger been the opposite. The working members, conscious of their affinity with the rest of their trade, have had to be reminded expressly in Congress that it is not incumbent on them at strike times to strike in sympathy against their own society. In the same connection there are two other sources of weakness. Some try to start on too large a scale and collapse from insufficiency of reserve: others devote more than they can afford to the funds of the socialist party. Most of the workers' societies have a Socialistic tinge: while, as a protest to these, there are some half-dozen definitely Catholic.

The workers' societies, as with other forms of Italian co-operation, are thickest in the North, Milan and Reggio Emilia being the two strongholds, each with provincial federations. Both federations include the local "labour" societies, but at Reggio the peasant colonies² are also members. The "braccianti" of Ravenna themselves owned the colony of Ostia (1891-8), which they redeemed from marshland with the assistance of the Government, using the colony as a relief establishment for their own "labour" work. Financially the experiment was unsuccessful. Here, as in the relations between town and country credit banks, is

¹ Schiavi, *op. cit.*, p. 687.

² *Cf.* above, p. 220.

observable the same absence of any gap in the scheme of co-operation—although this is not formally expressed—by reason, in part, of the newness of the movement—in a single connecting national organisation.

Perhaps the most interesting creation of recent years is an "industrial" society, the "Vetreria operaia federale" (Workers' federal glass factory)¹ of 1903, which has 1,338 workers and four glass furnaces in different parts of North Italy. It originated out of a furious strike—like the "Verrerie d'Albi," but, unlike the French society, it seems to have settled down with that resourceful adaptability which is a part of the Italian genius, to a settled orderly existence, combining model conditions of employment with discipline and industrial progress.

The Italian societies are through and through working-class creations. The "labour" societies owe something, but only something, to State custom. The "industrial" societies sell chiefly on the open market. While the workers' society is in England only holding its own, and in France only extending under outside support, in Italy it is in full creative vigour, seeming, as Professor Gide says, to "respond to the aspirations and genius of the national temperament. The small autonomous and scattered republics, which it creates, are congenial to the inventive independent spirit of the nation."² It is certainly an interesting reflection that bad government in Italy, as in Ireland, may have unintentionally fostered an extra-legal spirit of association, which, in a happier administrative era, has abandoned the sterilities of Fenianism and the "Mafia" for fertile industrial association.

¹ Cf. A. Schiavi, *op. cit.*, p. 688.

² Quoted A. Schiavi, *op. cit.*, p. 679.

CHAPTER V.

“PROFIT-SHARING”: THE WORKERS’ SOCIETY AND THE CO-OPERATIVE STORE.

Quarrel in Great Britain between Workers’ Societies and the Majority of the Stores—Analysis of Profit in Workers’ Societies: (I.) Peculiar Nature of their Organisation and Management as Contrasted with other Businesses, and consequently Peculiar Nature of the Profit accruing; (II.) Profit-sharing by the Private Employer or the Joint-Stock Company or the Association of Consumers—Its Inadequacy as an Ideal Method of Industrial Remuneration—Its Value as a Promoter of General Harmony which may, however, be attained under the Ordinary Wages System; (III.) Conclusion—Workers’ Society *v.* Store—Real Difference of Ideals: Collective Centralisation *v.* Individual Localisation.

A battle royal has been waged among British co-operators over the question of profit-sharing with workers. The combatants have been the majority of the retail stores, as represented by the English Wholesale Society on the one hand, and the champions of the Labour Copartnership Association on the other.

There is little doubt that the early co-operators did not appreciate the significance of the difference between co-operation organised from the standpoint of the consumer and co-operation organised from the standpoint of the producer. The difference first became marked when the wholesale societies undertook large-scale production and thus became competitors of the locally-organised workers’ societies. But this did not provide the ground of dispute. Contemporaneously with their development on federal lines, the majority of the English stores, headed by the English Wholesale, abandoned profit-sharing with their employees; and on the question of profit-sharing, which masked the deeper issue between the different standpoints of co-operative effort, the two sides joined battle.

The stores, when called upon to defend their new departure, unfortunately contented themselves with prejudiced phraseology concerning the economic meaning of

the term profit. "All profits come out of the pocket of the consumer; therefore to the consumer they should return: therefore the workers should take their share in the profits as members of their store."¹ Rather they should have argued that because the store exists for the purpose of supplying commodities to consumers through an organisation managed and controlled by them, therefore the profit, which in ordinary industry goes to the shopkeeper or manufacturer, belongs naturally in this case to the consumers. Occupying themselves with the surface term "profit," instead of with the services behind profit, they attempted to carry the war into the opposition camp, submitting in unconvincing fashion that any kind of profit, except their own, for example, the profit of a workers' society, was a relic of capitalistic selfishness.

On the other hand, the champions of labour copartnership argued somewhat too hastily that the abandonment of profit-sharing by the stores was as great a heresy as it would have been in their own workers' societies. Welcoming in alliance those stores, such as the Scottish Wholesale, which still continued profit-sharing, they assumed without sufficient proof that profit-sharing was fundamental to the co-operative character of the stores, and that its abandonment by the English Wholesale and others diminished necessarily the measure of industrial harmony and justice which is attainable in businesses organised otherwise than from the standpoint of the workers themselves.

It may serve to clear the ground if we ask in the first place, what is the meaning of profit in any consistent use of the word? And in the second place, granted the consistency of its meaning, what is the significance of profit-sharing with employees in any business, in which the employees themselves are not the primary organising force? We can then appreciate more distinctly the real issue, behind this word quarrel, between the stores and the workers' societies.

I.² The single employer, the private partnership, the

¹ Cf. Labour Commission (Sitting as a whole), J. T. W. Mitchell, Qs. 151, sqq.

² Cf. Marshall, Principles of Economics, Bk. IV., Cap. 12.

multiple association either of a joint-stock company or of a co-operative store or of a federation of stores, the municipality, the State, these are all possible units of industrial “ production,” and the workers’ society is one more in addition. It can hardly be disputed that each of these units has special aptitudes for certain kinds of business organisation or for certain stages in the growth of a given kind of business. But whether the profits of ordinary industry be well or ill-gotten, whether they are the approximate earnings of special organising talent or whether they come from the exploitation of the consumer and the employee, it is at any rate clear that the workers’ society cannot, as such, exploit its workers and it will be allowed that existing workers’ societies do not occupy any such commanding position as would allow them to exploit the consumer. The profits of the workers’ society may be reasonably held to be the corresponding earnings of a certain type of business organisation and management.

The single employer, who acquires and applies adequately a knowledge of markets and of men, holds a superiority in the matter of unity and directness of policy, until the business becomes too heavy or too expensive for one man’s control. The private partnership remedies this in part. But the joint-stock company is capable of almost indefinite extension, being specially suited to business of uniform activity, which demands big capital. The joint-stock company, however, is exposed to the weakness which comes from the very considerable separation of risk and business control. The shareholders, who supply the capital, assume ultimately the risks of the business, but they have little positive influence on business policy : the directors, who are usually shareholders on a large scale, exercise on behalf of themselves and the other shareholders a general control over the policy of the managers : the managers, who alone possess technical knowledge, carry out this policy in detail and superintend the workers.

¹The workers’ society avoids the weakness of separating risk and business control. The workmen, as shareholders of

¹ Cf. Marshall, *op. cit.*, IV., 12, §10, p. 305.

the concern in which they are themselves employed, have some power of voting at the general meetings, at which the general lines of policy are laid down and the officers appointed, who are to carry that policy into effect. If they compose a considerable part of the committee of direction which controls the general manager, these persons are in a literal sense the employers and masters of their own managers and foremen. Unlike the outside shareholder, they possess an internal knowledge of business organisation, so that, as members of the committee, they can detect laxity or incompetence in the administration of the manager and, as workers, they can assist the manager in being to a large extent their own superintendents. But the system by the very act of uniting business knowledge and responsibility in the same person brings with it difficulties of its own. Unless the workmen are men of very high character, they are liable to convert their power of control into a jealous and ungenerous interference. This evil will manifest itself in two ways. First of all, they will be apt to under-rate the difficulty of the manager's task. Being themselves accustomed to manual work, which produces visible and material results, they will grudge a sufficient remuneration to the brain work of management, which is often most efficient when it makes the least outward show. And if they underpay the work of management, they will be unable to command the best business talent. Secondly, even if they secure an able manager, they will be apt to deny him sufficient powers; they will be inclined to add to their work of direction an insistence on the particular details with which they are concerned as employees, such as doing a piece of work after their own fashion or securing special favours for themselves or their friends. And if this interference is carried to excess, discipline will be lost among the workers and the managers will be disgusted. Indeed, managers will scarcely be tempted even by the offer of a large salary, if they are prevented from exercising that initiative in enterprise and ability for leadership, which would be welcomed in the free and unfettered responsibility of private businesses.

If, however, the workmen display sufficient strength of

character to withstand these temptations, they are obviously in a position to give intelligent criticism and advice to their managers. The services, which the workmen thereby render, will be parallel to those rendered by the board of directors on a joint-stock company. But while the strength of the latter will consist in the broadness of outlook and soundness of habit, which are apt to attach themselves to well-trained business men, working men directors, with perhaps a more limited general experience, will possess what ordinary directors have not, a technical knowledge of processes and conditions of work relating to the business in which they are engaged. They will be able to suggest economies in organisation and in the employment of materials, a superior use of machinery here and a fairer treatment of men there, how waste stuff may be utilised and cramped abilities may be given scope for expansion, in short, advice of practical directness, that takes always a sympathetic account of the workman's point of view. Beyond this their intelligence, as a body, can scarcely be expected to go. Daring pioneer work, the investment of large resources for a distant and uncertain end, the subtle anticipations of changes in production and consumption, which are essential to the successful conducting of new and fluctuating industries, will almost certainly be beyond them. This province of industry is likely to remain in the hands of private employers or of companies, where the directing power is confined rather closely to men of large and expert experience.

Just as joint-stock companies and Government, central or local, select an environment that is suited to their peculiar qualities, so also with the workers' society. The joint-stock company selects those industries which necessitate the employment of large amounts of capital in a uniform and open manner. The Government selects those industries which employ capital on a large scale, but which, being public services of a monopolistic nature, are liable to abuse in other than public hands. The association of working men producers finds those industries most suited to its capacity in which individual skill responds most effectively to the stimulus of *esprit de corps*, in which a gigantic capital

is unneeded and large fluctuations are infrequent, in which the qualification for direction is the power of generalising from a series of technical processes, not separated from one another by large gaps, rather than a mercantile instinct and experience belonging to an intellect of a different order.

Because the members of a workers' society do in fact fulfil more or less adequately these special functions of organisation and management, they take, as a constitutional right, a share in the profits.

But they do not take the whole profit. They take a part only and this part in a special way. This arises from the fact that the workers' societies, which exist in the different countries to-day, are not, from the standpoint of formal definition, "perfect" types. In addition to the workers, there are generally other shareholding members, whether single individuals or societies. Workers' societies, however, need not be less true to their ideal, because they derive from without aids to production which under the conditions of modern industry they cannot themselves supply in sufficient quantity, and because they have to command these aids by an adequate payment.

A workers' society follows to a certain extent the method of distribution of profits in a joint-stock company. The interest on loans is of course a preliminary charge, as well as the salaries of the manager and of the committee of shareholders (of whomsoever of the shareholders it may be composed). The fund which remains is the society's profit and out of this the shareholders derive their remuneration.

But whereas in a joint-stock company the shareholders take the whole of the nett profits, in a workers' society they take but a part. In the latter the risk of the shareholders is lessened in so far as the workers have applied those special powers, which their mode of organisation is calculated to draw out. The claims of the shareholders, as such—not only outside shareholders, but also shareholding workers—are roughly gauged by the allotment of a fixed rate of interest on the shares, usually 5 per cent. If the workers have supplied their special element of strength, capital is thereby adequately remunerated; if not, capital receives a further

remuneration side by side with the special remuneration to the workers, taking in all say 7 or 8 per cent. The presence of this second remuneration to capital is not however a badge of the success of the workers' society, but the reverse : for it is in proportion as the efficacy of the workers' peculiar status can decrease the extra risks run by capital and thereby the extra remuneration awarded to it, that the society is fulfilling the object of its existence.

In countries outside England the workers themselves are the only parties claiming special remuneration. In England, the consumers or, as they are called, the “ trade,” also receive a share in the profits. On what ground? On the ground, it is said, that the workers' society in England contains three classes of members, private shareholders, shareholding stores and workers : and just as capital and labour share in surplus profit in proportion to the services rendered, so also stores in proportion to the services they render, *i.e.*, in proportion to the trade they bring. But this correspondence is very inexact. The stores which hold shares in the workers' society are not necessarily or even usually the stores which buy its goods. At the most it can be said that stores in general might be more inclined than otherwise to trade with the society, because other stores have a financial interest in it. And indeed, it is a usual practice for the workers' societies to extend this remuneration to all who trade with it, irrespective of whether they are stores and may, therefore, be connected indirectly with them. In so far as this remuneration is given to the consumer indiscriminately, it is merely a device to attract custom. It is of the same order as the device of selling along with packets of soap certain coupons which, when collected in sufficient numbers, are redeemed with money, goods or prizes. It is no more “ just ” to sell at 1s. and refund a 1d. than to sell outright at 11d. It may be politic, if it attract additional custom : if it does not, it is a piece of generosity and nothing more. In so far as the store both owns capital and buys goods, then a surplus calculated on trade is as justifiable as the ordinary dividend of the store to its members. But *pro tanto* the workers' society ceases to be such and becomes a

productive department of the store. Therefore the surplus to trade, in so far as it is not a device of policy adopted to satisfy the general desire of members of stores for "dividend," is merely a signal that the society is failing to stand on its own legs—about as flattering a testimony to its strength as the extra taxes which French workers' societies are said to pay in return for the patronage of the Government.

The workers' share in the surplus remuneration is the true badge of the association of working men producers. The greater it is in proportion to other shares, the greater is the evidence that the society is fulfilling the object of its existence, which is the assumption of management and control by the workers themselves. If the workers supplied the whole of the capital and were themselves on an equal level both in wealth and ability, it might be practicable to divide all the profits in proportion to the amount of share capital held. But as both of these conditions are absent, the workers, as shareholders, first receive an interest along with the other holders and then divide the further surplus allotted to them in proportion to the wages earned.

This is no doubt but a rough measure of their help in organisation and control. Yet it is better than any other; for it is not the workman's savings, but his working skill, his intimate knowledge of and enthusiasm for the concern in which he works, that makes his co-operation in management valuable. Now it is a general rule in workers' societies that the workers in virtue of their position as workers shall receive this share in profits, irrespective of whether they are shareholding members. This is not in itself the hall-mark of copartnership. It is merely the desirable means, of which copartnership is the end. The working non-member is allotted a portion in the profits, in order that he may build up a fund for the purchase of a share which shall introduce him to the fuller duties of responsibility and control. It would be undesirable to invest with these duties a worker who had no pecuniary interest in the society, since he would be tempted to misuse the property of others. By granting him a share in profits from the outset and by treating this

profit as a means to shareholding, the society avoids on the one hand the danger from the irresponsibility of non-member workers sharing in control; and on the other hand it puts away from existing working members the temptation to exclude new workers from membership in order that their own share in the profit may be greater—which would defeat the purpose of the society’s existence. Special remuneration to labour as a stepping-stone to membership, membership as a status for the more responsible exercise of functions of organisation and control, the exercise of these functions as the essence and end, this is the true interpretation of profit-sharing in the society of working men producers.

II. In the same way it might be shewn that in the case of other forms of industrial organisation, private firms, companies, and co-operative stores, profit is the remuneration of those who establish the business and assume the general functions of responsibility and control. Therefore in such businesses, profit-sharing with employees¹ is an additional element of a different order from the profit-sharing of workers’ societies. It is a practice introduced by employers to soften relations with their employees and to induce the latter to take a keener interest in their master’s business by offering them a certain percentage of the nett profits if these exceed a certain amount. It is hoped that this stimulus will draw forth the best effort of employees, because reward will attend visibly and closely on effort.

Apart from their unjustifiable uses as a cloak for lowering wages or concealing fraud, schemes of profit-sharing have been explained² by employers in two ways, first as a “surrender participation,” secondly as a “stimulus participation.” In the first case the employers say that they pay out more in profits than they gain by the increased or superior effort of their workmen. In so far as this is true, profit-sharing is an act of generosity of the same significance to the

¹ Cf. for whole question of profit-sharing: D. F. Schloss, Report on Profit-Sharing, C. 7458; N. P. Gilman, A dividend to Labour.

² Cf. Labour Commission. Final Report, Summaries of Evidence, §§512-19, pp. 341-4.

workers as a regulated series of money gifts. But an apparent loss to the employer may be more than compensated by gains which are not easily reduced to terms of cash. For example, the workers may need less supervision, may use their time and material more economically, and be more inclined to devise cheaper methods of production. The best workmen may be retained for a longer time, especially if the scheme is based on length of service; and the morals of the workers may be improved in general, less time may be lost through drink, fewer applications made for charity. For these reasons profit-sharing is generally admitted to be in intention a scheme which shall benefit employers as well as employees, and which depends for its continuance on the realisation of this intended result. And as regards the employer it should be noted that, where, in addition to the general advantages, a direct financial gain is looked for, this gain is of a double nature. Not only does each unit of output cost less than before, but, more units being produced than before in a given time, the charge on fixed expenses is lessened. Therefore if the employers pay to their employees the whole of the difference between the cost of output before and after the introduction of profit-sharing, they may still make a direct money profit for themselves by a decrease in their fixed charges.

From the men's point of view it is claimed that profit-sharing is a juster method of remuneration, because it secures a closer equivalence between effort and reward. But this is very doubtful. As an ideal method of industrial remuneration, it is inferior to other methods, such as collective piece wages and in particular collective progressive wages whereby groups of employees receive a fixed minimum of wage and a premium for extra efficiency. The latter device may be termed gain-sharing. As between profit-sharing and gain-sharing, considered simply as methods of remuneration, there is a difference in favour of gain-sharing. Under both methods the employees receive a surplus over and above their ordinary wage. But, whereas in gain-sharing the employee's surplus depends on the extra efficiency of himself and his immediate neighbours,

and is secured to him as soon as the amount of the extra output is ascertained, irrespective of the price ultimately obtained on the market, in profit-sharing this surplus is dependent on the total result of the year's business, including the work of all employed and the total price fetched by the work as a whole. In gain-sharing the employees have only to do the work in order to get the reward: in profit-sharing the reward is contingent upon operations of buying and selling over which the employees have a very slight, if any, control at all. A share in risks for those who have no control over these risks is not in itself a satisfactory incident in an ideal method of remuneration. The stokers of the South Metropolitan Gas Company might stoke themselves to death in the company's service without altering the price of gas $\frac{1}{4}$ d. A patent street burner, an improved method of coal-cutting, the financial skill of the manager, such things as these are apt to determine the price of gas, and over such things the stokers or any other workers have the very smallest amount of control.

There are weaknesses therefore in profit-sharing, as a method of industrial remuneration, which its strongest advocates have freely recognised. They contend that, though profit-sharing is of itself inadequate, it furnishes a satisfactory beginning towards the creation of sympathy between employer and employee, and the improvement of the character of the latter by making their industrial status more stable and by introducing them to a valuable, though a subordinate, share in the brain work of management. The workers, for example, in the South Metropolitan Gas Company, receive their portion of profit almost entirely in the form of shares in the company, which thus provides a kind of semi-compulsory savings fund. They have several working men delegates on the board of direction. They can make their grievances heard: they greet their employers with a nod instead of a scowl.

The successful maintenance of such relations demands rare qualities from the employer. He must be capable of infinite tact and restraint: and he must be able to bear, what so few men can, apparent ingratitude. For even the most

chivalrous employer must on occasions adopt a firm attitude, which the bulk of his men are unable to appreciate : and, if he attempts to secure their obedience by reminding them of the favours they have received in the past, the favours will appear to be devices to rob them of freedom of action.

Profit-sharing and its development, working men shareholders and directors, are rare outside France and England. In these countries there seems to be among certain employers a spirit of industrial chivalry, which resembles in a way the Napoleonic leadership of Napoleon in his best days : firm authority at important moments, in leisure time relaxation, intimacy and exchange of ideas which make the moments of authority sure and undisputed. Experience, however, repudiates the suggestion that such chivalry is confined to those few employers or employing associations which practise profit-sharing. There are in ordinary industry employers who are regarded by their employees as just men, and whom to serve is felt to be not incompatible with pride of work and self-respect. It would, I imagine, be hard to prove that the employees of the English Wholesale, which does not practise profit-sharing, take less pride in their employment than those of the Scottish Wholesale, which does. And such statements as that " If any one takes the earnings of the rich it is called thieving, and properly so, but to take the property of others, who are unable to resist it"—*i.e.*, to deny the store employees a share in profits—" passes under the name of good business,"¹ or that " the tendency of the wage system is to lower the efficiency of the most competent down to the level of the least competent,"² are unaccompanied by any of the very solid evidence which would be required to commend them to general acceptance. There is notoriously a very high degree of efficiency both in the quality and quantity of work done in businesses where profit-sharing has never been practised. And on the score of justice many workmen themselves are honestly opposed to profit-sharing, in a way that no citizen is honestly desirous of having his pockets picked. These

¹ G. T. Holyoake, *Essentials of Co-operative Education*, p. 12 (pamphlet).

² Sir Ralph Neville, *Industrial Efficiency*, p. 3 (pamphlet).

workers believe that under modern industrial conditions the wage system is the best method of remuneration; the justice they demand from their employers is a recognition of themselves as a trade union of free workers and a willingness to associate with them, as such, on boards of conciliation and arbitration, in which both sides are fairly represented.

III. Our conclusion, therefore, is this. The workers' society alone evades the possibility of serious divergence of interest between employers and employees, because such a society excludes by the terms of its constitution the existence of a second party, which is necessary to a dispute. The fundamental idea, underlying the workers' society, is necessarily absent from any other form of industrial organisation, whether it shares profits or not, the idea, namely, that the position of the workers, as copartners, is the ultimate fact in the business, and that when this has disappeared, the *raison d'être* of the business has disappeared also. But there are other interests to be considered besides those of the workers, the interests, in particular, of consumers. Within the field of its activity the co-operative store bridges the possible divergence of interest between the organisers of production and distribution and the body of consumers. But the point of possible divergence is only altered. Just as the workers' society cannot by the act of its association supply that conjuncture which the store supplies, so the store cannot by the act of its association elude the possibility of disagreement between itself and its employees. No co-operative society, whatever its standpoint, can rule out by the act of co-operative association a possible divergence of interest at some point in the industrial scheme. A co-operative society, indeed, may be able to smooth the adjustment of interests at the point of possible divergence—the workers' society by a bonus on custom, the store by a bonus on labour, but the adjustment is really effected by what is at bottom a competitive bargain; and it is the essence of such a bargain that the parties may disagree. Competition in this sense cannot be deleted by co-operation.

The difference between the workers' society and the co-operative store is a fundamental difference of ideals. The

workers' society stands for a system of production, in which the position of the workers is the primary object of consideration. Its difficulty lies in its limitation, in the fact that it can hardly cope with productive organisation on a vast scale or in more than a restricted number of industries. The store on the other hand affords the basis for the establishment of a co-operative commonwealth unrestricted in size, but with its workers probably excluded from its benefits except as consumers. Its danger is the danger of collectivism, that its uniform and centralised system may diminish that close and easy sympathy between the worker and his work, which is individualism in its desirable form.

PART IV.

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STORES.

CHAPTER I.

GENERAL CHARACTER.

ALL the forms of co-operation hitherto examined are organised primarily from the standpoint of the producer. The store alone is organised from the standpoint of the consumer. The store exists in all the countries of Europe under consideration : its constitution is in its essentials the same everywhere : its evolution has always the same significance. One country holds an unchallenged position as the place of origin and of greatest development—Great Britain. One society has given to the store system the name by which it is known no less to every working man in Great Britain than to every second working man on the Continent—the Rochdale Pioneers. One may measure the stores of other nations by the degree in which they fall short of the English model ; for it is the measure which they themselves apply. Beginning therefore with Great Britain, we shall examine in each country : (*a*) the general history and present position of the stores, and (*b*) in particular the movement towards wholesale federation.

CHAPTER II.

(A)—GREAT BRITAIN; (B)—GERMANY; (C)—SWITZERLAND.

(A)—GREAT BRITAIN.

(a) GREAT BRITAIN took the lead in the store movement because she was the first to possess as the result of her Industrial Revolution a distinctive working class, which proceeded to organise itself as wage-earners in a trade union and as wage-spenders in a co-operative store. The districts most profoundly affected by the industrial revolution were the Midlands, the counties of Lancashire and Yorkshire and the valley of the Clyde. Here the store movement took its first root. Under the old dispensation the State helped to fix the prices of labour and food. But as the result of industrial changes thousands of families were transported from the settled, if bare, monotony of the rural south into a permanent gloom of noise and smoke to serve under masters who preached the blessings of free competition, while they worked their "hands" 16 hours a day and cheated them of their miserable rewards in forced truck. The workers, finding themselves deprived alike of local tradition and State protection, at last in sorrowful disgust at the hostile aloofness of the governing powers, began to grope after remedies of their own making. In their religion they became dissenters from the State Church: in their work they formed trade unions, which were conspiracies in the eyes of the Government. But one power the Government could find no pretext for withholding from them, namely to purchase their food and clothing whence they chose. Reluctant, from bitter experience, to depend on any persons outside their own class, they began to be their own shopkeepers. By so doing they set up a structure which nothing could upset, because it depended on a power which came from themselves and

which they must as a condition of existence continue always to possess, the consumption namely of food and clothing.

The stores have seemed to shun capital and sea-faring towns; for these have heterogeneous fluctuating populations, suitable enough grounds for government-dreaming socialism and ephemeral trade unionism, but not for the settled confidence which must exist among men who propose to keep a common shop. The heart of London¹ to-day is untouched by the co-operative movement. Liverpool is quite new to it. There are but a scattered few in Dublin and Belfast (very few, however, in Ireland generally, where the grocer, it is said, makes his profits on spirits, in which stores do not deal). Denmark is a network of co-operation save at the capital, Kopenhagen, its chief port and only big town. Alone among the great towns of Belgium the ports of Antwerp and Bruges have no big stores. There are few in Berne and Berlin. The industrial north-west, round Basel, is the centre of the Swiss stores: Saxony, the Lancashire of Germany, is the pioneer of the German movement. Hamburg is an exception, due in part to the establishment there for geographical reasons of the Wholesale Federation. The centre of Paris is thick with the workers' societies, which are chiefly attracted thither by the patronage of the State, but one must travel to the outskirts to see a retail store.

It is important to emphasise the fact that in England the stores were the first form of co-operation to appear. By 1770 the industrial revolution, which to-day is accelerating rather than diminishing its pace, was in full swing; 25 years later the working class began to form elementary stores. In 1795 the Hull Anti-Mill Society was established by the "poor inhabitants" of the city in order to escape the extortionate charges of the local millowners. Similar circumstances led in 1801 and 1817 respectively to the Hull Subscription Mill and the Devonport Union Mill.

These were the first beginnings of co-operation in

¹ Mr. E. Aves, *Co-operative Industry*, 1907, p. 61, suggests as an additional reason the efficiency of London retailers. "In no place does the force of retail competition make itself so effectively felt—the cheapest as well as the dearest place in the world in which to live."

England, and they sprang noiselessly from among the working class, unnoticed or noticed only to be despised. From 1820 there was a period of enthusiastic activity, culminating in 1833—a high-water-mark date also in trade union history—when there were said to be 400 co-operative societies in existence. Again their main work was to supply the needs of working men by the purchase at wholesale prices of genuine articles of food and clothing. The Brighton co-operators were a typical instance. One of their leaders, Dr. King, in the *Co-operator*, a journal issued from Brighton, sketched out a policy which foreshadows roughly the store movement of to-day :—while the provision of cheap and good commodities should be the first consideration, the society should devote any surplus capital to manufacturing for itself, employing its own members and sharing profits with them.¹

The more enthusiastic of the co-operative leaders sought to give a fixed shape and inspiration to these scattered efforts, and a series of annual congresses were held between 1832 and 1846 in different large towns to educate the working classes in the aims and methods of association. Co-operative journals and pamphlets were important weapons of their missionary propaganda, in the course of which emerged to supremacy the greatest co-operative enthusiast of his generation, Robert Owen. Whatever else Robert Owen was, he was not the father and originator of the co-operative store. Rather is it true to say that the store movement, while still in the stage of humble experiment, was caught up for a few years in a flood-tide of idealistic enthusiasm, inspired and directed by him, and that, when the flood-tide ebbed, the movement returned to its old line of development with slower steps and wiser tactics, content to act cautiously, while naming a distant and a wide goal.

In the third annual congress of 1833² a series of fundamental rules for the guidance of societies was agreed upon. Articles were to be bought wholesale and retailed to members at market prices, the difference being employed in increasing

¹ Cf. C. Webb, *Industrial Co-operation*, p. 58.

² Cf. C. Webb, *op. cit.*, p. 58.

the business. (Dividends were rejected as marks of selfish exclusiveness). But the rules proclaimed the grand ultimate object of all co-operative societies, whether engaged in trading, manufacturing or agricultural pursuits, to be community on the land. This proclamation was inspired by the teaching of Owen.

The first embryo workers' societies appeared in the 30's. But these had always in view exchange with other co-operative societies producing goods which they themselves needed. Owen and others tried to systematise their efforts by a system of Labour Exchanges based on "Labour Bazaars." But the value of the articles sent in could not be fixed by the number of hours spent in their making : and any other method of valuation, was it not the competition of the middlemen, whom they were abolishing? So they failed and the last survivor, the "Equitable Labour Exchange" of Gray's Inn Road, was but hurried out of an unprosperous and depreciated existence in 1833 by the summary action of an unscrupulous landlord who sued it for payment of a rent which he had promised to forego.

The lesson of this failure to Owen and his followers was that co-operation must work on even wider lines and reform not only the mental conditions, but also the environment of the workers. Hence the resort to the establishment of a "new Moral World" by means of land communities such as Orbiston in Scotland (1825-7) and Ralahine¹ in Ireland (1830-33)—both of them previous experiments paving the way for the grand community effort of 1839-44, the "Harmony" settlement at Queenswood in England. All three perished painfully. It is, however, but fair to Owen to say that he accepted the presidency of the "Harmony" with reluctance, considering the time unripe for the practical demonstration of his theories. Owen has been chiefly judged by his theoretical writings and practical failures. His mills at New Lanark, 1800-1820, were however at once a financial and philanthropic success. If he had not been worried by ungenerous partners into abandoning business

¹ Cf., for an account of the *temporary* success of Ralahine and its unlucky dissolution through the gambling propensities of its founder, C. Webb, op. cit., pp. 60-64.

for dreams and literature, he might well have come down to posterity as the "Godin" of England, a successful philanthropist, instead of the intense prophet of the working classes in regions of storm and struggle far outside the peaceful onflow of the co-operative movement.

In 1844, the year of the Harmony's decease, the Rochdale Pioneers took down their world-renowned shutters in the world-renowned Toad Lane. The Rochdale Pioneers are not the oldest among existing societies. They are younger than the Sheerness Economical (1816); Lockhurst Lane, Coventry, 1832; Ripponden, 1832; Stockport Great Moor, 1832; Kirkheaton, 1834; Honley, 1839; South Crosland and Netherton, 1840; Middleton-in-Teesdale, 1842, and certain Scotch stores (among others Govan, which is still in existence).¹ They were not the inventors of the "dividend," for it seems that at least one Scotch society distributed profits in proportion to custom before 1844. But they can claim to have first established the "dividend" system on a firm and successful basis and to have earned thereby the classical advertisement given them by the pen of the late G. J. Holyoake.²

The objects of the Pioneers were thus defined in the original rules:—³

"To form arrangements for the pecuniary benefit and improvement of the social and domestic condition of its members by raising a sufficient amount of capital in shares of one pound each to bring into operation the following plans and arrangements:—

"The establishment of a store for the sale of provisions, clothing, etc.

"The building, purchasing or erecting of a number of houses, in which those members desiring to assist each other in improving their domestic and social condition may reside.

"To commence the manufacture of such articles as the

¹ Cf. J. C. Gray, Inaugural Address at Co-operative Congress, Birmingham, 1906, p. 6.

² G. J. Holyoake, History of the Rochdale Pioneers.

³ C. Webb, op. cit., p. 68. The wording here—which differs slightly from the transcripts of B. Potter on the one hand, and B. Jones on the other—follows the original document.

society may determine upon for the employment of such members as may be without employment or who may be suffering in consequence of repeated reductions in their wages.

"As a further benefit and security to the members of this society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by members who may be out of employment or whose labour may be badly remunerated.

"That, as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education and government; or in other words to establish a self-supporting colony of united interests or assist other societies in establishing such colonies.

"That for the promotion of sobriety a temperance hotel be opened in one of the society's houses as soon as convenient."

It can hardly be made a matter of reproach that the practice of the Pioneers fell short of their manifestos. Starting from retail distribution they carried out that part of their original scheme which was found to develop most naturally out of the stores' main objective. They made bread themselves in their own bakery: they built houses for their members and recreation rooms for the society. But they refrained from what was alien to their development, out of work employment and land colonisation. In the same way the Labour Redemption societies,¹ prevalent in the 40's, which were formed to redeem the working class by the accumulation of a fund at the rate of 1d. per week per member, narrowed down their programme and followed more or less unconsciously the lead of the Pioneers. The Bury and Leeds Redemption Societies were the parents of the present stores in those towns.

It is probable that most of the stores founded after 1844 consciously took the Pioneers for their model. There is evidence that some of the older societies changed over to the new system as soon as it became known. According to the

¹ Cf. B. Jones, *Co-operative Production*, Cap. IX., pp. 96-109.

old minute book of the Stockport Great Moor Society (established 1832), a secretary was appointed on May 26, 1844, "until the junction." This refers to the dissension between the old members, who wished to abide by the original no-dividend plan, and the new members, who wished to imitate Rochdale. In November, 1847, the "junction" was effected through the triumph of the new members.

Thus the Rochdale system—sale at market price with cash payments and distribution of profits among members in proportion to the amount of their purchases—became universal in all the stores.

One bar only lay across the path of continuous progress, legal disability.¹ This was practically removed by the year 1862. The Act of 1846 gave legal recognition to "Friendly societies formed for the frugal investment of the savings of their members, for better enabling them to purchase food, firing, clothes or other necessities, or the tools or other implements of their trade or calling, or to provide for the education of their children or kindred." The Act of 1852 gave the stores incidentally the right to sell to non-members and, more important, a legal personality, which enabled them to sue fraudulent officials. Finally, the Act of 1862, the "Magna Charta" of co-operation, permitted limited liability, of which the stores with no exceptions avail themselves, and also allowed registered societies to invest in other societies up to any amount. The latter provision made it possible to establish the wholesale societies in a co-operative form. From 1862 onwards the stores have extended their organisation over almost every industrial district of England, Wales and the Lowlands of Scotland, and over many country districts also. The movement has been directed since 1873 by the Co-operative Union, a propagandist body holding annual congresses. Practically all the stores are members. The Union includes the workers' societies, but since the stores hold an easily preponderating position, these societies have in addition their own Labour Copartnership Association. The importance of the Co-

¹ Cf. B. Jones, *op. cit.*, Caps. XI.-XII., pp. 123-149.

operative Union in the British movement will be brought out subsequently.¹

The following figures² shew the rate of progress among the stores :—

		1881	1899
ENGLAND AND WALES.			
Stores	- -	764	1,134
Members	- -	475,474	1,337,669
SCOTLAND.			
Stores	- -	200	295
Members	- -	71,238	272,651

Since 1900 there has been a general tendency towards systematic delimitation of the stores' boundaries, a number of minor stores being amalgamated with their larger neighbours and overlapping being reduced as far as possible. The number of the stores is therefore to-day about stationary, but the number of members steadily increasing thus :—³

1905	1,457 stores with	2,153,185 members	} For United Kingdom.
1906	1,448 „ „	2,222,417 „ „	

The following figures shew the scale of business operations :—

	<i>Share capital £</i>	<i>Sales £</i>	<i>Profits £</i>
1905	26,077,174	61,186,991	9,959,238
1906	27,350,588	63,353,772	9,972,250

The percentage of members to the total population is 5 per cent. Since, however, one member often represents a whole family, some societies even imposing this limitation in their rules, we are probably within the mark in multiplying the figure by 4, *i.e.*, to 20 per cent., in order to arrive at the total percentage of the population which is connected with co-operative stores. The movement is making its greatest strides in the North of England and in particular in Lancashire. I have been told by co-operators there that some of the stores are becoming not only the most frequented, but also the most fashionable shops in the place, so that it is no

¹ Cf. below, p. 333.

² Report on Workmen's Co-operative Societies, 1899, pp. 8-11.

³ Preston Congress Report, 1907, p. 11. These figures do not include the Army and Navy and Civil Service Stores.

uncommon thing to see ladies' carriages waiting in line outside the shop.

The most distinctive feature in the British movement is perhaps the amount of retail production carried on in connection with different stores. In 1905, 873 stores had productive departments, with 19,227 employees, and sales (or rather transfers) of £6,370,991.¹ This has increased from £2½ millions for 495 societies in 1896. Bread-making and confectionery accounts for more than one-half of the present total. Corn-milling (£778,000), tailoring (£553,000), boots and shoes (£439,932) come next in order. A single store such as the Bolton Co-operative Society has 250 workers in its productive department with a wage bill of £14,000.²

The British store movement has always preserved strict neutrality in religion and politics, following the example of the Rochdale Pioneers:—"1st, not to inquire into the political or religious opinions of those who apply for membership with ours or any of the various co-operative societies in our town; 2nd, that the consideration of the various political and religious differences of the members who comprise our societies should prevent us from allowing into our councils or practices anything which might be construed into an advantage to any single one of each sect or opinion."³

Outside the working men's stores, there are in London several big co-operative societies, created in the first instance by Government servants: such as the Army and Navy, and Civil Service Stores. These are largely patronised by the general public, who can obtain admission by the purchase at small cost of an entrance ticket. The profits of these societies go to the holders of the capital, who are for the most part original members or their descendants. For this reason in particular these societies cannot be considered an integral part of British co-operation. They deserve mention, however, as having supplied the stimulus to parallel

¹ 11th Abstract of Labour Statistics, p. 108.

² Balance Sheet, 1907, of the Great and Little Bolton Co-operative Society, Limited (established 1859).

³ C. Webb, *op. cit.*, p. 69.

organisations in Italy, which possess in addition the co-operative essential of dividend in proportion to purchases.

(b) Almost from the outset co-operators had in view the necessity of a wholesale society which would give the stores a stronger position as buyers. Three separate failures¹ preceded final success. The congress of 1831 voted the establishment of a wholesale agency in Liverpool: but this soon collapsed. Next came the Central Co-operative Agency in London founded in 1850 by the Christian Socialists: this also was short-lived, involving Vansittart Neale in serious personal loss. Then in 1852 the Rochdale Pioneers tried to work a wholesale department for themselves and neighbouring stores, but jealousy and indifference ruined the scheme. Finally in 1863 was established the "North of England Co-operative Wholesale Industrial and Provident Society Limited," which took in 1873 its present title of "The Co-operative Wholesale Society." In 1868 the Scotch Wholesale Society was formed in imitation of its English sister. These two societies are the crowning points of the store movement on its commercial side. Nine-tenths of the stores are members, though certain English stores, notably the Leeds society, have stood aloof. The Wholesale societies, working through their own directors and co-operative organs, do their utmost to enforce on the societies loyalty to the Wholesales in the matter of custom.

The members of the Wholesales are shareholding stores; the directors, 32 in all, are directly elected by the members *en bloc*; they are generally working men whom business capacity or eloquence has brought to the front in their local store. Formerly the directors had only attendance money: but now they receive a salary.

The Wholesales are in the first place wholesale merchants, with their central houses at Manchester and Glasgow and dépôts in the provinces. This is as far as the industrial store organisations of the Continent have gone. In North America, Spain, Denmark and Germany the British Wholesales have purchasing dépôts with resident buyers.

¹ Cf. C. Webb, *op. cit.*, pp. 105 sqq.

Secondly, they are wholesale producers—industrial and agricultural. The chief industrial departments are confectionery, leather, textile goods, soap, cocoa, and tobacco, grouped around the several distributing centres, Manchester, Newcastle and London in England, and Glasgow in Scotland. The first productive departments in England were the Crumpsall Biscuit Works (1873): in Scotland the Glasgow Tailoring Factory (1882). While the English wholesale factories are in some cases a long distance from their wholesale centre, *e.g.*, the C.W.S. Boot and Shoe Works at Leicester, most of the Scotch factories are concentrated in one huge colony at Shieldhall, outside Glasgow. Both wholesales own creameries in Ireland, 38 and 7 respectively: the English Wholesale has a bacon factory in Denmark and a tallow and oil factory in Sydney, Australia.

Thirdly, since 1876 the English Wholesale has been its own shipper for its North Sea traffic. The profitableness of this work has been doubtful. It is contended, however, that it has indirectly helped to reduce outside rates and to secure greater consideration for the Wholesale's custom. The fleet has just been sold for £50,000 to the Lancashire and Yorkshire Railway.

Fourthly, the English Wholesale is banker and insurer for itself and the stores.

Fifthly, both Wholesales are landowners. Tea estates in Ceylon are owned jointly. Joint corn lands have been suggested in Canada, but not acquired. Between 1891 and 1901 the Scottish Wholesale worked the Carbrook Mains Farm, on which it lost heavily. In 1901 this was given up for the Carntyre Farm, Lanark, which is only moderately successful.

How far are the Wholesales a financial success? In 1906 the total business of the Wholesales was as follows:—

1906 ¹			<i>Trade in £</i>	<i>Profit in £</i>	<i>Div. per £</i>
England	-	-	22,510,035	410,680	4d.
Scotland	-	-	7,140,182	280,434	8d.

¹ Statistics presented to International Congress, Cremona, 1907, p. 96.

The Wholesales distribute their profits, which are based on the difference between manufacturers' or importers' and wholesale prices, to the societies in proportion to their custom.

In 1905 the productive departments produced £5,500,000 of goods. The net profit was returned at £168,000. This, however, is an uncertain test. Goods produced are transferred to the distributive departments and thence sold to the societies at a price agreed upon between the wholesale society and the retail buyers. A loss may therefore be registered, either if the productive department is badly managed, or if the agreed price of sale is below the wholesale price on the open market. Moreover, the charges for interest on capital expenditure are distributed equally over the distributive and productive departments, so that the latter possibly benefits indirectly from the profits of the former.¹ It is therefore almost impossible to test the assertions that the English workers' societies can produce cheaper than the Wholesales' departments and that in the latter there is considerable room for economy.

Such has been the development of the British movement in the direction of what has been termed not too happily "federalism." The keynotes are unity and completeness. The English Wholesale has pursued these ends most persistently. The Scottish Wholesale, as its policy was interpreted by Mr. William Maxwell before the Labour Commission of 1893,² contemplates willingly a variety in the co-operative movement, especially through the operation of the localised workers' societies, and, continuing itself to share profits with its employees, it presses less violently the claim that store custom shall be the single criterion in the distribution of profits.

A project has recently been put forward which would involve the whole co-operative movement in a further step of centralisation and thus systematise the tendency which the

¹ Cf. Labour Commission (Sitting as a whole), op. cit., pp. 16-17.

² Cf. ditto, pp. 33-61.

wholesale societies are developing. In 1906 at the Birmingham Congress¹ the president, Mr. J. C. Gray, outlined a scheme by which all the stores would be amalgamated into a single national co-operative society governed by a democratically-elected council of 150. The council would by committees manage the departments of wholesale distribution and production, and control in a general way the policy of the local committees, which would replace the present independent stores. By reserving at headquarters in the form of withdrawable shares one-half of the profits which are now distributed as dividend to members, the central council would have at its disposal a fund of at least £5,000,000 per annum for the extension of co-operation. The advantages of the project—which is nothing more than a project—are : the establishment of a definite financial bond between each member and the whole movement, economies of distribution and extensions of production, concentrated propaganda in poorer districts. But there seem attendant dangers, not only of a loss of membership by making the advantages of co-operation less immediate and so less vivid, but also of a loss of democratic freshness by weakening the intimate bond of local self-government, which gives character to the members and fertilizes their work.

(B)—GERMANY.

(a) In 1850 Schulze-Delitzsch laid the foundation-stone of German co-operation by the establishment of the first credit bank. Co-operative credit came first because in 1850 Germany was still a “ Klein Industrie Staat ” (Small Industry State), and the ranks of small independent producers cried for protection against Jews and usury.

However, the revolutionary disturbances of 1848 frightened the Government and the wealthy class into the patronage of peaceful measures for the alleviation of social distress. The cheap supply of the necessities of life was an obvious measure of peace : hence during 1850-70, the first

¹ Cf. Congress Report, Presidential Address.

store period, they were semi-patronal institutions under the wing of the higher bourgeoisie. Neither Schulze-Delitzsch nor Lassalle, the two pioneers of industrial co-operation, appreciated the significance of the store. Lassalle, under the influence of the iron law of wages, repudiated the idea of organising poor consumers, on the ground that it contributed indirectly to the profit of the capitalists, and demanded State-organised associations in control of the instruments of production. Schulze-Delitzsch was firm to self-help, and supported the stores as one form of it. But he regarded them always as junior members of the co-operative family, and he never acknowledged any antagonism between the interests of the store and those of the shopkeepers and artisans who were members of his credit banks.

The war of 1870, with its indemnity heritage of the "Milliard-Segen," launched Germany on her industrial revolution. The ablest of the bourgeoisie rose to be industrial leaders; but many of the small-scale producers either sank into the wage-earning classes or swelled the ranks of middlemen. Many, however, held their own with the help of the co-operative credit bank. The bourgeoisie, being themselves generally distressed, dropped their patronage of the stores. Hence the second period, 1870-89, was one of stagnation, in which many of the old stores disappeared, while the emerging working class, suspecting the store as a subterfuge of capitalist exploitation, had neither the confidence nor the strength to take up the flag.

The law of 1878 against associations robbed the working classes of everything save their right to vote, but, like all persecution, it brought the oppressed to a consciousness of their powers. In opposition to the doctrine of Schulze-Delitzsch, the Co-operative Law of 1889 permitted limited liability. Thereupon the stores, their Magna Charta won, entered upon the third period of their history, a period of rapid growth. The working classes were now enthusiastic for the co-operative store.

Between 1890 and 1902 the quarrel in the co-operative family came to a head. Within the Allgemeiner-Verband were two hostile forces: on the one side the banks control-

ling a number of the older-fashioned stores, on the other the working class stores, headed by the "Vorwärtz-Verband" of industrial Saxony. In 1898 the leaders of the Hamburg Wholesale, the recent creation of the working class stores, visited the co-operative establishments of Great Britain and carried back to Germany the reports of the wonders of Rochdale and Manchester.¹ In 1902, at the Congress of Kreuznach, came the actual break. The directors of the Allgemeiner-Verband saw that if they would remain "masters in their own house," the ringleaders of the opposition stores must be expelled: for in 1900 the membership of the stores more than equalled that of the credit banks, and in the following year well exceeded it, as the following figures shew:—

Banks ²	1890	1,072	with	518,003	members
	1895	1,068	„	525,748	„
	1900	870	„	511,061	„
	1901	904	„	526,847	„
Stores ³	1890	263	„	215,420	„
	1895	460	„	292,077	„
	1900	568	„	522,116	„
	1901	638	„	630,785	„

The pretext of expulsion was the introduction of "political (*i.e.*, social-democratic) tendencies" into the economic domain of co-operation. The real reason was an antagonism of economic interests. The progressivist stores were socialist in their conduct no more and no less than are the English stores, *i.e.*, they both represent the working classes. The 100 stores named for expulsion withdrew and were joined by all the provincial store unions save four, belonging to Magdeburg, Silesia and certain parts of Saxony. The dissidents, some 500 in all, established themselves as the "Zentral-Verband Deutscher Konsumvereine," with their headquarters at Hamburg.

Since 1902 the Zentral-Verband has gained steadily in

¹ Unsere Englandreise, Hamburg, 1904.

² Jahrbuch All. Verb., 1905, p. 48, Introd.

³ Ditto, p. 73, Introd.

comparison with and sometimes at the expense of the stores still adhering to the Allgemeiner-Verband :—¹

<i>Year.</i>	<i>Zentral-Verband,</i>		<i>Allgemeiner-Verband,</i>	
	<i>Stores,</i>	<i>Trade.</i>	<i>Stores,</i>	<i>Trade.</i>
	<i>(in million marks)</i>		<i>(in million marks)</i>	
1902			332	69
1903	627	148	251	54
1904	710	165	252	55
1905	787	188	260	58

These two organisations comprise the whole sum of German stores, with the exception of some 100 isolated ones formed among railway and other Government employees.

The stores of the Zentral-Verband are expanding rapidly, the stores of the Allgemeiner-Verband are almost stationary. The one represents the working class, the other a motley group from the salaried clerk and small master down to the labourer. The one regards the store as the focus of co-operative activity, encouraging individual members to make deposits with the stores and the stores in turn with the wholesale; the other regards the stores' dividends as a source of the credit banks' deposits.

The Allgemeiner-Verband is strictly neutral in politics: and the sympathies of its members are with the "Freisinnige Liberale Partei" (Free-thinking Liberal party). In fact they are in the store movement what the somewhat exclusive, but withal effective, Hirsch-Dunckerische Vereine are in the world of trade unionism. The Zentral-Verband makes no formal profession of politics and requires none from its members, though most of these are avowedly Social Democrats. It is the informal ally of the socialist trade unions, which are slowly confuting by the mere fact of their successful existence the official gospel of revolutionary Marxism, based on the hydra-headed "Verelendung's Theorie" (Increasing-misery-of-the-working-classes theory). In their own words, "evolution instead of revolution." The leaders, consciously inspired by British example, dream of

¹ The figures are for the stores making returns. There are no parallel figures to hand for the Z.-V. in 1902.

a co-operative commonwealth including the whole working class, which they visualise in the shape of a Milliard Mark store-trade. Till then, peace with capitalism. Afterwards—the voice of prophecy is silent. Probably further peace up to 2 Milliards, by which time perhaps “*Das Kapital*” will be discovered to be as void of social malice as a steam engine. For of such, it would seem, is the kingdom of evolutionary socialism.

(b) ¹Two failures and a comedy preceded the establishment in 1894 of the present German Wholesale, the “*Grosseinkaufs Gesellschaft Deutscher Konsumvereine*,” with its seat at Hamburg.

The two failures concerned in no way the present institution. The first was at Mannheim, 1872-6: the second at Bremen from 1892 to an unnoticed death several years later. Just as at Rochdale, so at Mannheim the attempt to make one single society an informal wholesale for the rest failed, because it did not command national support. Indeed, in this period the store movement was too sparse and immature to provide an adequate foundation for a national wholesale body. By 1892 the time was becoming ripe, but Bremen was too far from the store centres; and, as at Mannheim, the majority of the capital came from private persons, not from the stores themselves. The management was influenced by the *Allgemeiner-Verband*, which disliked from the first the idea of a wholesale association that should aspire to be more than a subordinate agency working in agreement with equally subordinate provincial unions.

The comedy was the forerunner of the present institution. An ingenious trader, Herr Pabst of Hamburg, with a fondness for *brochures*, got himself appointed “*Einkaufsagentur deutscher Konsumvereine*” (buyer for the German stores) at Hamburg, and proceeded to organise as many stores as were inclined towards the wholesale idea, with himself as king. He was finally got rid of in 1894, and took his services to the opposition camp of private traders, whence he black-guarded his former friends.

¹ *Geschichte des Konsumgenossenschaftlichen Grosseinkaufes in Deutschland* by Heinrich Kaufmann.

However, the stores stepped worthily into the open field headed by those from Saxony, and in 1894 the Wholesale was established on a representative national basis, individual membership being excluded by rule. The Wholesale with its federated stores formed the nucleus out of which was constituted the Zentral-Verband in 1902.

The salient features of the Wholesale's development are these—(1) The boycotts¹ of outside manufacturers stimulated federal progress, as in England, by rousing co-operators to a sense of their importance. (2) Wholesale federation has been based, as in England, entirely on the loyalty of the constituent stores, not only as customers but also as suppliers of capital. (3) The old provincial unions (Einkaufsvereinigungen), which before the appearance of the Wholesale were casual bodies holding occasional market days, have been made the connecting links between Hamburg and the individual stores. In addition to the central warehouse at Berlin, there are four branch warehouses at Berlin, Mannheim, Düsseldorf and Chemnitz. (4) The movement has had from the first a national programme, aiming at "Eigen-Produktion," *i.e.*, production by the Wholesale itself. The first beginning has been made with the establishment at Hamburg in 1903 of a coffee-roasting department. Furthermore, international relations with other wholesales have been assiduously cultivated. The Hamburg Wholesale buys teas from the British Wholesales, cheese from the Swiss Wholesales; and sells goods to the Danish Wholesale. (5) And finally, the movement owes its inspiration not to the old leaders of German co-operation, the Schulze-Delitzsch school, but directly to Great Britain. The official history of the Wholesale ends with the wish "dass immer herrlicher sich erfüllen möge der Traum der Weber von Rochdale"—("that there may be fulfilled more and more completely the dream of the weavers of Rochdale").

The store literature insists strongly on the striking similarity between the first years of British and German

¹ Cf. Kaufmann, Geschichte des Konsumgenossenschaftlichen Gross-Einkaufes in Deutschland, p. 45.

development. In 1864, the English Wholesale was established, in 1894 the German Wholesale.¹ The progress among the *stores* during the five years following the establishment of their respective Wholesales was as follows :—

	<i>Great Britain.</i>		<i>Germany.</i>	
	1864	1869	1894	1899
Societies - - -	394	754	417	534
Membership - -	130,000	230,000	268,000	469,000
Trade in million marks	57	147	78	115

From this German co-operators are led to hope that what Great Britain has done Germany is about to do : and they seem justified in their hope. In 1906 the position of the German Wholesale *itself* was as follows :—

Membership	-	448	Societies
Trade	-	46	Million marks.*

(C)—SWITZERLAND.

(a) As in Germany, so in Switzerland, the “Hunger-Year” of 1847, followed by the general distress of 1848, induced the beginnings of the co-operative stores. In these years a number of “Frucht-Vereine” (literally fruit, *i.e.*, food societies) were formed for the supply of cheap corn and meal. The immediate cause of their foundation, as they themselves stated, was the rapid increase in the price of necessaries. But these, together with several stabler organisations, such as the Basel Allgemeine Arbeiter Gesellschaft (Basel General Working Men’s Union), disappeared when the crisis passed away. One big society, however, the parent store of Switzerland, dates from this period, during which it was itself the centre of most of the other co-operative efforts in the parishes round Zürich and in the neighbouring canton of Berne. This was the Zürich-Konsumverein, which began as a bakery in 1851 and proceeded to general groceries in 1853. It is noteworthy that the

¹ Cf. R. Riehn, *op. cit.*, p. 33.

² Z.-V. d. K., *Berichte*, 1906.

Zürich society was the first in the German-speaking world to employ the term *Konsumverein* (consumers' society). Hitherto in Germany and Switzerland the early societies called themselves *Spar-*, *Frucht-* or *Lebens-Mittel-Vereine* (thrift, food or livelihood societies). Though the parent, it was not the model store. Two of its leading members, Bürkli and Treichler, made the society the arena of a personal quarrel, with the result that the society became a close organisation with a closed membership: a form which it retained until the example of other stores at a later period brought it back to true co-operative lines. The Olten store, founded in 1862, passed through the same capitalist stage.

The characteristics of this first period from 1845-68 may be summed up as follows. It was a period of uneven but spontaneous experiment, and it was confined to two or three districts in the West. French "Fourierisme" gave it an impetuous, but unsteady, inspiration. But from the first—here in marked contrast with Germany and Belgium—the working classes were active sharers in the movement. The general republican level of Swiss life made it possible that the early societies, which contained middle and working class alike, should end by leaving the latter in chief power. Moreover, from the first Government was in sympathy with the store movement, so that by 1850 the stores were able to enjoy limited liability under the joint-stock form. The ease in Switzerland of joint-stock registration also explains in part the tendency of the early societies to fall into capitalistic ways. Even after the Federal Law of 1881, which made the *Genossenschaft* a special type of commercial society, the facilities offered by the joint-stock form remain such that in 1895¹ 32.8 per cent. of the stores were thus registered: though these are not by any means just those stores which in business and internal constitution are really un-co-operative.

The second period opens with an entirely new note—the conscious imitation of the English store movement. In 1863 Herr Jean Jenny-Ryfel drew up for the working men's club

¹ Cf. Müller, *Die schweizerischen Konsumgenossenschaften*, p. 403.

in Schwanden, canton Glarus, new statutes converting it into a store. In the original statutes, which I have seen in the General Union's library at Basel, the English names follow in brackets their German translations thus:—Warengeschäfte (Co-operative Store), Verkaufslökalen (Stores). Under the example of Schwanden, the store movement became general over the Glarnerland, from whence came the stimulus to the foundation in 1865 of the Basel Allgemeiner Konsumverein, at the present day the biggest and the leading store in Switzerland. Apart from the partial practice of the deceased Basel Arbeiter Gesellschaft, the Schwanden store was the first to introduce the system of dividends according to custom. From Schwanden this practice became general and was adopted finally by stores such as Zürich and Olten, which at first had developed on other lines. The characteristics of this period from 1868 to 1895 were uniformity, enthusiasm and permanence. The uniformity came from the conscious adoption of the English model, the enthusiasm in a special degree from the presence at Geneva of the "International," which was god-parent to some workers' societies, which all failed, and to many stores, of which some still survive. The permanence came from the fact that the store was no alien importation. The Swiss spontaneously experimented; only at the end of the stage of their own experimentation did they follow a model which came from a foreign country.

In 1895 the stores numbered 110; and they occurred in all parts of Switzerland. A difference, however, revealed itself between the movement in French-speaking and in German-speaking Switzerland. The Latin stores—in accordance with French practice—made their professed object "*de faire le commerce*"; and put in their rules, as their chief aim, cheapness of price. They were less democratic, the management being in the hands of the few who had most money in the society. The stores in German Switzerland preserved more of the social and educational atmosphere that distinguishes English co-operation. Both, however, practised in all cases the system of the Rochdale dividend and in

recent years, under the influence of the General Union, the Latin stores are approximating to German ideas.

The third and modern period, the period of federation, started in 1890 with the establishment at Basel of the "Allgemeiner-Verband Schweizerischer Konsumvereine" (General Union of Swiss Co-operative Stores). As has so often happened in co-operative history, attack from without roused co-operators to add another storey to the co-operative structure. Rings and boycotts by wholesale merchants led to the establishment of a wholesale agency, as the commercial side of the Union's activity. This side will be considered in the following section. The raising of food prices by the Protectionist party opened the way to the other side of the Union's activity,—organised agitation for a Free Trade tariff. The Union entered at once on the latter work and despite the moderate course taken, so moderate indeed that some of the stores round Geneva resigned in disgust, it forced on the breach explained above¹ with the rural stores of the East Swiss Union, which was at first a member of the General Union.

Up to 1899 the Basel Store, which took the lead in the Union's foundation, also conducted the management, but the Total Revision of Statutes in 1898 made it a representative body, directed by delegates of all the store members, though with its seat still at Basel. With these increased powers, the Union has been able to impose greater uniformity in the movement by only admitting stores whose organisation—whatever their legal form—"corresponds to the co-operative principles of open membership and of division of surplus to consumers in proportion to their custom."²

In politics the Union has preserved strict neutrality, standing for "social reform with State compulsion and State assistance." It has thus abided by the principle laid down by Treichler, when the idea of a Union was first mooted. "Our goal stands above the machinations of political parties, it is the economic well-being of all." Only when the State by economic measures, such as a Protectionist

¹ p. 101.

² Dr. H. Müller, *Der Verband Schweiz. K. V.*, 1906, p. 11.

tariff, attempts to interfere with the economic well-being of its members does it enter into the political arena, and then only in order to carry through some definite measure.

Though there are a number of isolated stores in the centre and south known as "Wilde-Männer" (Wild Men), the strongest stores all belong to the central union, under whose ægis they are steadily increasing in numbers and power thus :—¹

<i>Year.</i>	<i>Stores.</i>	<i>Membership.</i>	<i>Trade in fcs.</i>
1900	116	83,549	32,725,427
1905	204	140,768	54,109,814

(b) Like Belgium, but unlike Great Britain and Germany, the wholesale society is a department of the General Co-operative Union.

In 1869 at Olten the projected scheme of a Union included also wholesale business: in 1890, again at Olten, when the Union was successfully constituted, wholesale business was included in its programme, which was put into practice by the establishment of a wholesale agency in 1892. In 1894 the latter abandoned the rôle of agents for that of a wholesale house and in 1898 at the revision of statutes it defined its scope as the "Erection of establishments for the common purchase and production of necessities and household articles in demand by the allied societies." Thus Switzerland since 1898 and Germany since 1899 have had definitely before their minds the goal of production by their own Wholesales. But they have not yet reached it. Only Great Britain and the agricultural stores of Denmark have gone thus far. The English Wholesale took ten years to achieve this, from 1863 to 1873. So that it will not be surprising if Switzerland and Germany should reach their goal in about the same space of time.

Meanwhile the wholesale work has developed rapidly. At first only the stores round Basel took part, but though Basel particularly by reason of its railway conveniences still remains the wholesale centre,—despite its being in the north-west corner of the country,—the Union has now a ware-

¹ Dr. H. Müller, *Ver. Schw. K. V.*, p. 45.

house in Wulflingen, Central Switzerland, and depôts on all the borders, thus making membership profitable for societies in all districts.

The progress of the wholesale department is seen as follows :—¹

<i>Year.</i>	<i>Turn-over, fcs.</i>	<i>Net profit, fcs.</i>
1895	1,134,954	6,460
1900	3,657,366	21,572
1905	9,143,129	110,039

¹ Dr. H. Müller, Ver. Schw. K. V., p. 47.

CHAPTER III.

(A)—FRANCE; (B)—BELGIUM; (C)—ITALY.

(A)—FRANCE.

(a) THERE are more stores in France than in any country of Europe, but at the same time fewer store members per head of the total population, and less business per store member. The stores are divided into a number of hostile or indifferent sections; indeed, the majority have no interest in national union because they do not wish to make the store anything more than it already is, a cheap and efficient shop: the majority of stores, that is to say, are not conscious of a store "movement." French writers¹ have suggested different reasons for its absence:—the particularism and vanity of the French character, which make them unwilling to risk their autonomy by federation: the facts that in 1848 the working classes concentrated their energies on the State-subsidised workers' societies and that after the war of 1870 the socialistic party declared themselves hostile to every form of co-operation.² There is practically no store history and the statistics for the present time, from fear it is said of the tax-collector, are meagre or entirely wanting.

There is record of a stray society, Hargicourt (Aisne), founded in 1848.³ But it was not until 1866-7 that the stores became general. In particular the bakeries⁴ date directly from the excessive competition and high prices of private bakers (in poor districts these two things often go together), which followed the removal in 1863 of the municipal regulations concerning the number of bakers and the price of

¹ Cf. Prof. Ch. Gide, "Sociétés co-opérative de Consommation," 1904, p. 123.

² Cf. Roger Merlin, "Les Associations Ouvrières et patronales," 1899, p. 301.

³ Cf. ditto, p. 301.

⁴ Cf. H. Rivet, "Boulangeries Co-opératives," p. 39.

bread. Since then the stores have spread among the working class, the Socialists having to some extent withdrawn their opposition; and more particularly among the employees and officials of the different railway companies. The latter are under the patronage of the directors, and frequently get their premises and ground free and special reductions on the carriage of their goods,¹ but they are in management autonomous. They may therefore be classed as co-operative, apart from the "economats" or shops belonging to special industrial (*e.g.*, Maison Menier at Noisiel) and transport companies, in which the company directors are themselves managers. In 1906 the "Sociétés co-opératives de consommation" numbered 1,994 (in 1907, 2,166²), of which 784 (836) were bakeries only. (In addition to the latter, 392 general stores had bakery departments in 1907). Of the remaining 1,210, 35 confined themselves to coal, 2 to meat, 39 to wine, 62 to beer, 14 were restaurants and 831 general stores, especially groceries; 382 of the bakeries and 443 out of the other kinds of societies, excluding the railway stores, give the number of their members as 89,761 and 165,700 respectively.

The membership figures have been much amplified in the statistics for 1907. 2,009 societies out of 2,166 or 92.7 per cent. have made membership returns, which amount in all to 641,549. Of these:—

54 societies or	2.7 %	have less than	25 members
138	6.9 %	26 to 50	„
421	21 %	51 „ 100	„
813	40.4 %	101 „ 250	„
357	17.8 %	251 „ 500	„
139	6.9 %	501 „ 1,000	„
87	4.3 %	more than 1,000	„

Of the last, 10 have more than 5,000 members. Secondly, in 1907 for the first time, statistics of trade are available for 85 per cent. of the societies, giving a total of 191 million

¹ Paris Exhibition, Class 107, *op. cit.*, p. 380.

² Figures in brackets for 1907 taken from official statistics presented by French Government to International Congress of Cremona, Sept., 1907.

francs. Of these societies one-half have a trade ranging from 10,000 to 50,000 francs. There are 56 societies inside Paris and 55 round it.

Certain of the stores are members of one or other of the following central organisations :

I. "Union Co-opérative," with its "comité central" at Paris, comprising 333 societies. The Union was founded in 1885 by a small group of co-operators of Nîmes, and their programme—neutrality in politics and the working up of the stores into a federated self-producing store movement after the example of Great Britain—is known as the "school of Nîmes."

II. "Bourse Co-opérative des Sociétés Socialistes de Consommation" founded in 1895, numbering 170 (178) societies chiefly about Paris. It differs from the Union by being, like the Belgian movement, frankly socialist. The Bourse, however, includes some of the most progressive and financially strongest stores, *e.g.*, "La Bellevilloise" Paris.

Both these organisations have aspirations over and above mere shopkeeping.

III. In the Provinces there are 18 provincial federations, all established since 1900 and each containing 15 to 20 societies. In some cases their members are also members of I. and II. The biggest is the federation, at Grenoble, of the Paris-Lyon-Méditerranée and other railway employees, comprising 109 societies.

59 from the Paris-Lyon-Méditerranée Co.	-	19,189 members
18 from the Est. Co.	- - -	9,417 "
32 from different companies	- - -	13,575 "
<u>109</u>	Total -	<u>43,231</u>

This federation, which also acts as wholesale agent for its members, is, like the remainder of the railway stores, not a member of either of the national co-operative unions.

(b) Wholesale federation is the central point of the Co-operative Union's programme; but the effort of 1887 col-

lapsed in 1892. As Prof. Ch. Gide,¹ chief apologist of the Union, writes: "It is a sad episode in our co-operative history." However, the attempt was renewed more successfully in 1900 and the Union, acting purely as agents, did a business of nearly one million francs in 1907. In particular it buys tea from the British Wholesales and cheese from the Swiss Wholesales. The Bourse Socialiste also failed with a central co-operative bakery, but as recently as September, 1906, at the initiative of the Bellevilleoise, which gave a temporary loan of its premises, a wholesale house was opened for the whole of the socialist stores. M. Aitier, the president of the Bellevilleoise, is also president of the Wholesale. The first eight months' trade reached 1.8 million francs. The original capital (26,400 francs) was subscribed by 97 co-operative societies and 292 "militants" (*i.e.*, individual socialist enthusiasts): 144 societies are now members and 211 have dealings with it. It seems very probable that this Wholesale will soon become a big organisation. It has already taken over a workers' society shoe factory, "La Cordonnerie de Lillers," and is buying up a second society, "La Co-opération Socialiste." As the society's report² says: 'What need of 10 or 20 shoe societies when 3 or 4 organised by the Wholesale are sufficient?' Every employee of the Wholesale must be a member of his trade union, and also of his local store. In this latest creation, the socialist stores seem to have laid their fingers precisely on the lines of evolution which other countries are taking; and have but added another testimony to the essential uniformity of the store movement.

(B)—BELGIUM.

(a) As in Germany and in Switzerland, the revolutionary decade ending in 1848 witnessed the beginnings of Belgian co-operation. As in Germany the stores in the first instance were philanthropic institutions created by the Government

¹ Cf. Ch. Gide, *op. cit.*, p. 121.

² *Magasin de Gros des Co-opératives de France*, 1st Report, p. 10.

and the bourgeoisie to alleviate working class suffering, being no doubt inspired in part by the writings of Fourier and St. Simon. Thus a number of municipal bakeries and butcheries were founded between 1845 and 1847, but they were short-lived.

Between 1850 and 1880 a few scattered co-operative societies appeared and languished. "The characteristic of this period is the insignificant number of societies created, and also—apart from a few rare exceptions—their lower middle class (*petit-bourgeois*) nature."¹

The modern movement dates from 1880, when the "Vooruit," the Rochdale Pioneers of Belgium, was established at Ghent. The Vooruit did not consciously imitate the Rochdale Pioneers. It was rather that the Belgian working classes, feeling in 1880 the same wants which had been felt in England half a century earlier, created the same type of economic organisation. But in one important respect they abandoned English practice. From the first their stores have been the avowed champions of socialism; they work hand-in-hand with and are all affiliated to the "Parti Ouvrier" (Labour party), which was established at Antwerp in 1885.

At the present day there are, outside the easily predominant socialist stores, three other groups:—

(1) The neutral societies. One portion of these are the Popular Pharmacies, themselves federations of small "mutualités" or friendly societies. These have done a great work for Belgian working people. While reducing the prices of medicines by at least 50 per cent., they have been able to make 100 per cent. dividends. In a few cases the socialist stores have their own pharmacies attached. The other neutral stores are loose unfederated organisations, which sell as nearly as possible at cost price and are called by their opponents "groupistes." They are most numerous in East Belgium, especially round Seraing.

(2) Stores confined to Government employees, especially railway workers and municipal servants. Twenty-three of

¹ L. Bertrand, *Histoire de la Co-operation en Belgique*, Vol. I.

these are combined in the "Federale," which did for them in 1905 a wholesale business of 700,000 francs.

(3) The Catholic stores, which have been as unsuccessful as the socialist reprisals on the land. Those at Gand and Anvers have changed into joint-stock companies. The "Bon Grain" of Moranwelz received in 1903 the condemnation of the tribunal of Mons, which stigmatised their competition with the "Progrès" of Jolimont as "unfair," and their "systematic disparagement" as "excessive and deserving of censure."

The Socialist stores number over 200. In 1906 the Annual¹ published by their Wholesale Federation gives statistics for 168, which include all the important societies. In the West the stores are generally big organisations, sometimes feeding neighbouring districts: in the East they are small, often two or three in one town, overlapping one another. In 1905 five of the big societies accounted for 46 per cent. of the total trade and 62 per cent. of the total membership, viz.:—

<i>Town.</i>	<i>Name of Society.</i>	<i>Date of founda- tion.</i>	<i>Trade in thousand fcs.</i>	<i>Member- ship in thousands.</i>
I. Bruxelles	I. La Maison du Peuple.	1884	4,500	20
II. Gand	II. Vooruit.	1880	2,700	8
III. Haint St. Pierre	III. Le Progrès de Jolimont.	1886	2,700	20
IV. Roux	IV. Roux.	1894	1,500	11
V. Liège	V. Liège.	1887	1,000	5

In most cases the stores have begun as bakeries. However, in the district of Huy, they are little bazaars selling household requirements, such as drapery and utensils. 23 of the stores are bakeries only, these chiefly in the "Borinage," the coal basin of Belgium, where "bakery" and "co-operative society" are almost synonymous. 50 stores deal in bread and clothing; 125 in bread, clothing and groceries; a growing number are adding boots and shoes.

The stores round Liège have had severe competition from

¹ *Annuaire de la Co-opération ouvrière belge.*

the neutral co-operative societies and from stores confined to the employees of particular firms. The latter developed the evils of the truck system to such an extent that in 1894 the provincial council of Liège passed a resolution to the effect that "the council is of opinion that the Standing Commission ought to withdraw the permits given for the opening of firms' food stores."

The sparsest store districts are round Antwerp and Bruges, and the province of Namur, which is chiefly agricultural.

The general tendency of the store movement is towards the enlargement of the store units and the establishment in each industrial district of a leading *Maison du Peuple*, or "People's Palace," after the fashion of the *Maison* at Bruxelles, with its 22 branches, 6 cafés, 2 bakeries, 3 butcheries, coal dépôt and dairy. This tendency is stimulated by the singular rôle which the Belgian store plays, as the meeting-place and focussing-point of working class activity.

The call to working class association comes from one or other of the following wants: cheap living, better wages, relief in sickness, social relaxation, political discussion. In Belgium the "*Parti Ouvrier*" supplies an organisation for each of these wants: cheap living in the stores, better wages in the trade unions, sick relief in the friendly society, social relaxation in the "*cercles d'agrément et d'instruction*," political discussion in the "*cercles politiques*." The store is the general recruiting ground and stepping stone to the rest. "In eating our bread," said one of the directors of the *Maison du Peuple* (Bruxelles), "co-operators swallow some little of our principles."¹ The store supplies also the cash which is the sinews of the socialist movement, a portion of the profits being in all stores devoted to the party funds. Furthermore, the bigger stores have within their own organisation old age and sick funds, dependent on loyalty of custom. Sometimes the store itself renders free medical service to its members; sometimes it affords special

¹ Quoted A. Léger, *Les co-opératives en Belgique*, p. 73.

privileges to members who are also trade unionists. Moreover, it is on the store's premises that social and political meetings are held. "It is often on their premises that the meeting-hall and offices of the trade unions and friendly societies and federations (of the Labour party) are to be found."¹

Since the stores are the senior partner of the socialist organisation, it is somewhat impertinent to speak of them as "captured" by the socialists. Whatever the possible dangers of the intermingling of politics and economics, the stores have commanded the allegiance of the working classes. They are very democratic: for the entrance fees are low and the admission shares, also low, bear no interest. Their leaders have insisted on the duties as well as the privileges of membership. All members must make known their adhesion to the "Parti Ouvrier"; all members must supply themselves regularly from the store, at least in bread, on pain of expulsion; and the hold is still further tightened by the device of paying dividend in the form of store coupons, which can only be consumed by further dealing at the store. At the same time their organisation is very stable. It is noteworthy that the presidents and directors of the big societies remain in office for long periods. The violent campaign against M. Anseele, the socialist deputy and head of the Vooruit, only established him more firmly in power. Socialism triumphant is indeed apt to differ not only from its own manifestoes, but also from the prognostications of its opponents.

(b) Till quite recently the wholesale movement hung fire. The first effort came in 1871, when the "International" was influential in Belgium; the second effort in 1886 at the initiative of the Vooruit: the third and successful effort in 1899. There were special reasons for this backwardness. At the outset most of the stores were mere bakeries, and their only commodity, bread, required to be made close to the place of consumption. Later, when other commodities were included, the larger stores were so big as to have many of the

¹ Léger, *op. cit.*, p. 94.

advantages of wholesale dealing; in fact they were occasionally wholesale dealers for their small neighbours: while the smaller stores, especially in the Borinage, shewed hostility to a proposal that seemed to threaten their own independence. Finally, up to 1893 Belgian socialism was engrossed in the fight for manhood suffrage.

In 1905 the "Fédération des Sociétés co-opératives belges" had affiliated to it 99 of the 168 stores making returns. It is at once a wholesale house and a co-operative union. The business department is organised in a "Chambre Commerciale." Up to 1902, the Wholesale was an agent only, but since then it has had a "warehouse" in Bruxelles, which, when I visited it in August, 1906, was a rather murky office in a back street near the town *abattoirs*. However, a huge poster announced "the system of the Rochdale Pioneers."

The wholesale trade¹ has increased from 25,000 francs in 1899 to 2,000,000 francs in 1905. This is of three kinds:—(1) sales from its own warehouse (1,100 thousand francs), the most important being groceries, cotton and linen goods, salts and spices; (2) agency sales (300 thousand francs) by orders to private firms for direct delivery to societies; chiefly for margarine, soap (Sunlight), and ironmongery; (3) agency sales of goods of workers' societies to the stores (800 thousand francs). One-half of number (3) comes from the "Tisserands" (Weavers' Society) of Gand, established by M. Anseele. The workers' societies, some two dozen in all, sell their goods almost exclusively to the stores, and may be expected to develop finally into productive departments of the Wholesale. "This clearly is but a first step towards the creation of federal (*i.e.*, wholesale) factories, such as they have in the United Kingdom."²

The "Chambre Consultative" has the usual duties of publication of statistics. Two of its special objects are to prevent overlapping and to encourage the amalgamation of very small societies in the Borinage and the East.

¹ Cf. *Annuaire* for 1906.

² Léger, *op. cit.*, 292.

In conclusion, while in Great Britain and Germany the co-operative unions and the wholesales are different bodies with different antecedents, in Belgium, as in Switzerland, they are one. In Great Britain and Germany the wholesale is in material importance as well as in formal arrangement the head of the store organisation. In Switzerland it is fast becoming so. But it must be long in Belgium before the *Fédération* can become in any way the chief or controlling commercial factor among a number of big stores, such as the *Vooruit* of Gand, or the *Maison du Peuple* of Bruxelles.

(C)—ITALY.

"Long before the attainment of political unity by Italy, the friendly societies of Piedmont began to create in their own country a considerable number of co-operative stores for the sale of necessities."¹ But 1860 may be given as the birth-date of the present development, which presents a curious parallel to that of Switzerland. Turin was the first great store centre (1850-65). In the words of the Ministry of Finance, "The institution grew up spontaneously." The store sold at cost price, as did Zürich, whose leaders, Bürkli and Treichler, it actually consulted in 1853. About 1880 began the "English period," when Milan, like Basel, advertised throughout North Italy the doings of Great Britain and the Rochdale Pioneers. In 1885 L. Buffoli, now president of the *Unione Co-operativa* of Milan, published an important pamphlet (*Le Società Co-operative di consumo*), demonstrating the superiority of the "*sistema di Rochdale*" over the old cost price stores or "*comitati di previdenza*" (provident clubs). The pamphlet closes with extracts from the original programme of the Pioneers, and several paragraphs from Samuel Smiles' "*Self-help*." After considerable opposition, the Rochdale system was adopted generally throughout Italy.

In 1888 there were 508 registered stores, in 1903 762, in 1906 1,448. There are perhaps another third unregistered.

¹ A. Maffi, Report to 5th International Congress, Manchester, 1902, p.

Of the 861 stores examined in 1903¹ it was found that 326 sold at market price, 257 at cost price, 260 sold to non-members, 326 to members only.

To-day the Italian stores present the same freshness and diversity which we have already noted in other forms of Italian co-operation. There is no single co-operative union and no wholesale federation. The "Lega Nazionale" (National League), established in 1886 at Milan, is a national organisation representing all forms of co-operation. There are some half-dozen provincial federations, several of which, *e.g.*, Biella and Reggio Emilia, already have or are proposing to establish wholesale agencies. In the big towns there is always quite a number of separate stores, 24, for example, in Milan. The membership varies from about 50 in the smallest societies to 16,000 in the "Unione militare" of Rome.

Furthermore, the stores are not by any means recruited from the industrial working class only. In one and the same store there are frequently wage-earners, farmers and officials. But one of these three classes is generally predominant. The strongest working class store is perhaps that of Sampierdarena, which describes itself as "retta a sistema Rochdaliano" (conducted upon the Rochdale system). It had in 1903 a membership of 2,600 and a trade of 2,000,000 lire. This is of course very small beside the biggest working class store in England, namely Bolton, with a membership of 40,000 and retail sales of half a million sterling.

The country stores seem scattered over North Italy.

The third class of stores, among officials, especially railway officials, presents commercially the strongest front. They sprang up in the 70's and 80's in all the towns along which railways were being built. The leader is the "Unione Co-operativa" of Milan, founded in 1886 by L. Buffoli among 396 railway employees. It had in 1903 7,363 members with a trade of 8 million lire. This, together with the Alleanza Co-operativa of Turin (trade 3 million lire) and the Unione Militare of Rome (trade 7.8 million lire), resemble

¹ Statistica delle soc. co-op. italiane, published by Lega nazionale, p. 169.

in appearance the "Army and Navy" Stores in London, and supply the same or a slightly less wealthy class of customers. But they most distinctly draw their inspiration from Rochdale; and they distribute profits according to trade, at an equal rate, in the case of Milan, to members and non-members alike. They devote a certain percentage of profits to a "Cassa di Previdenza" for their employees. The "Unione Co-operativa" of Milan has its own vintry and also a selling depôt at Berlin for wines not required at home. The atmosphere, in fact, is that of Rochdale, while the *clientèle* is that of London.

The stores sell much the same kind of goods as in Great Britain, but most in addition sell wines. Not a few are or have as adjuncts cafés and restaurants. The bakery, as always, is a chief department: "And not only do the biggest societies, such as the Unione Co-operativa of Milan, the Alleanza Co-operativa of Turin, and the Co-operativa di consumo e produzione of Sampierdarena conduct bakeries, but hundreds of stores have bake-ovens in working, as a permanent part of their business."¹

As there is no guiding head, so also there is no definite central policy. Most of the stores are neutral, but those in socialist districts are often socialist. At the International Congress of Cremona, 1907, some 50 of the Italian co-operative societies, stores and others, made an unsuccessful effort to pledge the Congress to a socialist programme.

There is indeed no lack of co-operative literature in Italy, but it is all piecemeal and unsystematic, reflecting the freshness of the "Elizabethan" era through which Italy is now leaping to eminence in industry generally and in co-operation in particular.

¹ Stat. della soc. co-op. ital., op. cit., p. 186.

CHAPTER IV.

ECONOMIC SIGNIFICANCE OF THE CO-OPERATIVE STORE.

Economic Superiority of the Store due to Guaranteed Market, Large-scale Organisation; which are Economies possible to all Consumers' Organisations—Peculiar Economic Advantages of Rochdale Plan—Question of Sale to Non-Members—Method of Calculating Dividends—Importance of "Dividend" in the Eyes of the Women—Dividend as a Measure of Economic Superiority—Traders' Objections to "Dividend": their General Unsoundness—Sale Above Market Price not Unknown—Weakness of Co-operative Theory on "Profit"—Real Significance of Store's "Profit."

As one walks through a town and observes, in this street or that, a co-operative store, sometimes a large establishment with half a dozen window fronts for as many different departments, but more often a single shop plainly and even unattractively set out, it is hard to convince oneself that here is the token of a great economic and social development, which is profoundly affecting the welfare of a growing majority of the working class population in every country of Europe.

Yet so it is. The store is at once an efficient method of conducting business, a school of social virtues for the working class, and a movement which is silently re-shaping one part of industrial life.

We shall consider, in this section, the economic advantages of the store generally and of the "Rochdale" system in particular.

The aim of the store is to make certain that the consumers shall be able to obtain what they want, in the amount and quality in which they want it, and by the machinery which seems to them most suitable; and thus to abolish the risk which inheres when the makers of articles are separate from the consumers of them.

To this end the members of a store co-operate. But it does not follow that a passive union of consumers is of itself

sufficient to secure that certain economies should fall, as it were, heaven-sent into their lap. By uniting they secure for themselves the possibility of obtaining these economies; but to realise them in fact they must do certain things. The required activity is three-fold. The members of the consuming body must make known their wants to the store; they must satisfy their wants from the store; they must control those who attend to their wants in the store. If the members do not succeed in making known their wants to the store, loyalty to it becomes impossible. If the members of a store make known their wants to the store and then refuse to satisfy them from the store, the knowledge which the store has of its members' wants is ineffective. If the members of a store are ready both with a knowledge of their wants and with loyalty, but omit to control the action of the officials appointed in the store, then the communication and loyal satisfaction of their wants are intelligence and virtue wasted.

Granted that the members exercise these activities, they realise at once the object of their existence, they destroy the possibility of a disjuncture in the conveyance of articles into their hands for consumption. This does not decide the question as to whether they make articles more cheaply than these could be offered by outsiders. But it does make certain that, whatever the cost, they can satisfy their wants for themselves without being dependent on the services of others. No outside party can step in and arrest or divert for their own advantage the flow of articles to the consumers. The penknife purchased may not be worth the money, but the consumer has the confidence that no one is interested in making anything out of him. But can the store realise any economies of business organisation, which are impossible to the non-co-operative establishment? In the department of retail distribution, yes.

The private shopkeeper can only guess at the wants of his customers; he cannot formally assure himself of the continuance of their custom by any honourable method, though he may of course bind them by getting them into his debt. Hence he must allow a margin for the risk of unsold goods

or goods sold at a loss, and he must spend very considerable sums in show and advertisement to attract a voluntary custom. The co-operative store on the other hand possesses a knowledge that such and such goods are required and a guarantee¹ that these will be taken. It has less risk of unsold goods, and smaller expenses of window-dressing and advertisement. The members come because it is *their* store.

However, in so far as the store, relying on its members' fidelity, offers them small choice, or works with so small a staff that they must wait many minutes before being served, it may really be giving them less than *primâ facie* value, by forcing them to take substitutes which are perhaps not exactly what they want, and by wasting their time.

Furthermore, the store has an advantage of another kind, which is usually expressed in the phrase "the consumers become their own shopkeepers." The members of the store take over personally certain of the necessary functions of the shopkeeper. They control the course of business in a general way through supervision, official and unofficial, in a special way through the committee of control appointed from among them. They share in the actual business details through the two or three individuals who, as secretary, treasurer, etc., attend to accountancy and finance. Hence the manager of the store is the independent shopkeeper, shorn of many of his duties. The store avoids certain expenses for which the independent shopkeeper must recoup himself in the price of his wares. It does not however dispense with the corresponding duties. It must control and keep books in the same way as the shopkeeper. But it spreads these duties among its members. It has no charges at all under the heading of general control; it has smaller expenses under the other two heads, small fees for attendance at committees and small salaries for the officers. In the matter of control the saving is greater than in that of actual business

¹ This guarantee is usually implicit only, but it is sometimes enforced by rule. Thus in Great Britain, "In a number of societies . . . members, who do not purchase goods up to a certain value, are required to forego all interest whatever on their shares, or are even compelled to withdraw from membership,"—Report on Workmen's Co-operative Societies, 1901, p. xiv., Introduction.

work; for stores beyond a certain size may lose more through the unintentional blunders of amateur accountants and cashiers than they would pay in salaries to professional men.

In the department of wholesale distribution, the federation of stores has on a wider range the same economies of a known and guaranteed market. Every new store which enters the federation does but increase the attainable economies of this order.

But the centralised nature of its operations, which are often national in their scope, renders more difficult the realisation of those economies which arise out of the intimate connection between the retail store and its individual members. Expert officials are a necessity in the wholesale society, since amateur efforts in this scale of business would involve certain ruin. The wholesale directorate, which is elected by the stores, is indeed controlled by them on the same principle as is the committee of a single store by its members, but the control is less intense and less immediate, because there is lacking the intimate presence of the actual consumers of the commodities. It is because the committee of a store acts under the constant observation of its members that its control effects such signal economies. The wholesale society, it is true, has its general assembly composed of stores. But of itself a general assembly, which only meets a few times in the years, cannot easily exercise a supervision that is at once searching and intelligent. In a retail store the general meeting at the most gives an official registration to the results of a daily supervision; it is not the main occasion for its active exercise. Hence, even though none but formal topics are discussed at the general meeting of the retail store, the management may be subject to a very real control, which is unofficially expressed, but at the same time weighty and insistent, because it comes from interested parties, who are continually on the spot. On the other hand the store representatives, who attend the quarterly or half-yearly meetings of a wholesale society, exercise no control except in this assembly, and they have not had to the same extent local and personal experience of the year's working. Furthermore, not only is their knowledge less,

but they are also themselves representatives for another; and the best of representatives can hardly shew the same care for the affairs of another as the individual consumers for themselves. The conduct of business by a delegated directorate geographically removed from the constituent voters is liable to involve a danger of waste on a scale that is impossible in the more restricted and more intimately known area of a retail store.¹

When the wholesale society proceeds to production, it realises the same order of economies, but it has the difficulties of control in an acuter form. The directors of a wholesale society, so long as they are engaged in wholesale distribution, are applying on a larger scale the professional knowledge which they have acquired in their earlier days, as committeemen of their store, but face to face with large-scale production they are amateurs incapable of criticising with technical knowledge the policy of the salaried manager. As to the influence of the store representatives over the directorate, if their control over wholesale distribution is slight, their control over wholesale production is slighter still. The difficulty, however, as far as concerns the functions of the directorate is only a danger, and can be overcome in proportion as the directors are possessed of that broad business outlook which is adequate to control general policy without a special knowledge of technical processes.

In addition to these difficulties, the productive departments encounter a further difficulty, which inheres in the store's constitution. Their factories are no doubt large buildings and the lists of their employees long. But there is more in modern industry than large-scale organisation; there is its complement—the specialisation of processes. The range of human wants, even in commodities that are accounted necessities, is very large, and within each com-

¹ This analysis is perhaps *a priori*. In practice, I imagine, the position would be often reversed: so that it would be found that the "delegate," to the Wholesale's quarterly meeting, who is usually also a store committeeman, has a close personal knowledge of the work which he is delegated to supervise, more complete in degree than that of the individual member of the store—not because his position as delegate offers greater or equal opportunities of supervision, but because as a committeeman he has attained some measure of commercial specialisation.

modity there are variations. For example, included under the one commodity of shoes are shoes properly so called, boots, and slippers; shoes for children, shoes for women, shoes for men, and shoes for factory workers. The wholesale society has, therefore, a vast demand for shoes; and, as soon as it decides to make them for itself, it has at once the necessary trade for a huge factory. In accordance with the principles of the consumers' association it endeavours to satisfy as large a proportion of its members' custom as it possibly can. With the capital of a national federation at its back, it makes every kind of shoe that its members demand and then, perhaps, is surprised to find that it is beaten as to cost of production by smaller factories¹ with half the capital and none of the guaranteed demand. One reason of this is that the ordinary shoe factory can specialise in one or two particular lines, and can realise economies which are unattainable by the Wholesale's factory. The latter, though having a large market for shoes in general, has not an equally large market for special lines, and it cannot, in accordance with its principles, enlarge its trade in an outside market. In actual practice some of the wholesales, especially the British Wholesales, do an amount of trade with co-operative societies in other lands, partly in order to encourage international relations, partly to remedy this business difficulty of their own.² However, though this difficulty is unavoidable, it is capable of progressive diminution, as the membership of the stores increases and the limited market is consequently widened.

This difficulty would apply more acutely to production by a single retail store, although it would be to some extent counterbalanced by a greater closeness of control. Consequently production by retail stores is concerned primarily with work which does not lend itself to distant centralised

¹ The efficiency of English workers' societies in this industry has certainly provided the Wholesale's factory with the stimulus of a healthy competition; for although these societies sell mainly to the stores, they have no guarantee of custom, and must justify patronage by excellence of work.

² The English C.W.S. has a special Continental traveller for the business which is thus done, in particular with the Swiss and Italian societies.

production, such as baking and repairs, which must be conducted close to the place of consumption.

In addition to its absolute superiority over any form of non-co-operative organisation, the store has, in the matter of the size of its primary distributive unit, an advantage over the small shopkeeper with whom it chiefly competes. Having no interest in keeping this unit smaller than the density of its area of membership allows, it can realise the same economies as the "grand magazin." Doubtless by extending its area, it runs some risk of weakening the active interest of its members in the control of the business, but this can be practically neutralised by structural devices. The central stores, surrounded by branches, combine within limits the advantages of small and large-scale retail distribution.

The tendency towards the increase of the unit is confirmed by statistics.

Thus in Great Britain, while the trade per society is steadily increasing, the number of stores is almost stationary :—

	<i>No. of stores.</i>	<i>Trade per store.</i>
1895	1,417	£28,228
1900	1,439	34,746
1905	1,457	41,866
1906	1,448	43,508

Again in Germany,¹

	<i>No. of stores.</i>	<i>Trade per store</i> <i>(thousand Mks.)</i>	
1895	460	179	
1900	568	223	
1903	<i>(Split in store movement)</i>		
1905	{ 260	223	—stores still in Allgem.-Verb.
	{ 787	239	—stores in Zentral-Verb.

Such are the economies which are obtainable by the organisation from the standpoint of consumers. They do not

¹ Jahr-Buch, Allgem.-Verb., 1905, p. lxiv.
Z. V. D. K., 1906, Berichte, p. 155.

depend on any particular store system, but it is the general experience of Europe that they are most effectively realised under what is known as the Rochdale system, namely :— sales at market price, with distribution to the members of the final surplus, in proportion to the custom of each. The economic strength of this system lies in the fact that it brings before its members most vividly the advantages of co-operation and offers a direct stimulus just where the stimulus is wanted, namely in the attraction and retention of the consumers' custom.

Sale at market price has a two-fold advantage.

First, for a purely business reason. Even if sale at cost price were aimed at, this would in practice be a trifle higher than the cost of production or the price paid to the wholesale merchant, as the case may be. For the division and cutting up of goods for retail consumption entail a certain amount of waste which it is not easy to estimate in advance. It depends on very irregular circumstances, occasional unskilfulness in carriage and sale, changes in the weather, the discovery of defects not apparent in the wholesale condition, the distaste of customers for a particular piece of a particular commodity, and so forth—so that the estimation of an average charge under this head would be peculiarly liable to error; and if the error were much on the wrong side, it might be necessary to make a call on to the purchasers for a further payment, which would certainly cause difficulty and irritation.

Secondly, for a psychological reason. By selling at market price and accumulating the surplus at the end of the year, the store, so to speak, "bulks" its advantages. A mere sixpence seems to the working man and indeed to most people a very petty affair; but accumulated to a sovereign at the end of the year, it is a sum worth the having. This mental habit is fairly utilised by the store, when, temporarily postponing the demonstration of its superiority over the private retailer, it ranges itself under a price-list fixed by him, and then subsequently by its dividend impresses on its customers in a striking and definite manner the financial benefit which it confers.

In addition, sale at market price avoids friction with the shopkeepers. As Mr. G. J. Holyoake observes of the cost price policy of the Leeds Flour Society in its early days : "Under the policy of cheapness the store enters into competition with the tradesman and is a continual irritation to him : whereas stores which keep to the average price benefit the shopkeeper, who can obtain better prices for his commodities, since no customer can say he 'can get things cheaper at the co-operative store.'"¹

The advantage of the "dividend" in proportion to custom is its equity. The dividend is the net profit after deduction, first, of the grants to reserve fund, educational and other propagandist funds, and secondly, of a fixed remuneration to capital. Outside Belgium, where no interest is paid on shares at all, capital in the co-operative store receives a fixed rate, usually 5 per cent.; although this may differ as between one locality and another, *e.g.*, in the Cambridge society it is 4 per cent. Differences in the rate are not, however, accurate reflections of local variations in the demand for and supply of capital. In earlier days 5 per cent. was a fair remuneration for the risks run, but, now that co-operative stores are from the point of view of risk first-class securities, it is perhaps becoming excessive. The fixity of the rate, *i.e.*, the fact that interest on capital does not increase or decrease according to the year's profit, is the important point. For this reason many prosperous societies have felt justified in retaining the traditional 5 per cent.—incidentally with the rather curious result that a form of commercial association created to limit, among other things, the remuneration of capital as such, pays it a higher rate than it could earn for similar risks elsewhere. But as the shareholding is limited in amount and usually involves an obligation to purchase, capital has more of the nature of a Post Office Savings Deposit, with a slight risk and moderately easy obligations attached.

The remaining profit accrues to the members in proportion to their trade. Except in Germany, where it is

¹ G. J. Holyoake, *History of the Leeds Industrial Co-operative Society, Ltd.*, p. 41.

prohibited by law, and in those French stores which wish to avoid the "Patente" or tax on business, sale to non-members is permitted and generally practised. But non-members form everywhere a very small proportion among the customers and are only encouraged as potential members. They receive no share in the dividend except in England, where they receive it at half the ordinary rate, which only has an economic justification in so far as it is an inducement to qualify for membership.

A dividend is usually at a general rate on the sum total of sales. In Belgium, however, bread is separated from other commodities; on the former the dividend varies according to the year's working, on the latter it is fixed at 6 per cent., any surplus being devoted to the funds of the Socialist party.¹ The dividend on trade keeps the store an open and democratic association, as every co-operative society sets out to be. If the whole dividend were distributed on the basis of capital holding, existing members would have an apparent interest in limiting the number of members, who constitute the shareholding divisors. However, unless a closed store develops a big outside custom, it defeats to a certain extent its own ends. For the greater the members' custom, the less (up to a certain limit) are the general expenses of the store.

The trade dividend is the most equitable way of remunerating the organised consumers, because it is not the amount of capital holding, but the extent of loyalty to the store, which ultimately determines the store's success. In proportion, therefore, as members contribute to the store's success, they have a right to reap its profits.

It is the women, so one hears in England, for whom the dividend has the greatest fascination. Many of the men, thinking of their own struggles as wage-earners, would like to buy elsewhere and "give some other fellow a turn." But the women, the wage-spenders, object to purchases which contribute nothing to the nest-egg that awaits them at the store at the end of the year. It is this which has overcome a very natural and serious resistance on the part of women

¹ Cf. above, p. 304.

to the co-operative store. M. Henri Rivet¹ classes "women" as one among nine obstacles to the movement. The co-operative bakery does not provide a good gossiping place and—which is a very good ground of objection—it will not cook her tit-bits of meat in its oven, as will the private baker. Again, Dr. Shadwell² reports the complaints of a Bolton woman, "You can't look and pick," as you can on the market. But, as her neighbour would have reminded her, "On the market you don't get a 'divi.'"

It remains to ask:—How far is the "dividend" an exact measure of the store's superiority over the private shop? Traders inside and outside Great Britain constantly contend that the co-operative store is a sham and a delusion. Thus Mr. Robert Walker:³ "The objection of our association is the present delusive dividend-giving system which goes by the name of co-operative societies (Q. 5154)." "Tests have repeatedly been made of the goods in the co-operative societies, as compared with the goods of the private traders, and in every case where those tests have been made it has been found that, even after deducting the dividend, there was a balance against the co-operative societies, and in many cases with that difference in price there was also a difference in quality against the co-operative societies" (Q. 5196). This is an assertion (unaccompanied by evidence) that the co-operative store exceeds market price by more even than the amount of dividend which it returns. Yet, if this is so, what of the "price-cutting," "unfair" co-operative societies of which one reads in almost every number of a traders' journal? And can it be seriously contended that the British housewife would habitually pay an extra $\frac{1}{2}$ d. for the privilege of placing a 1d. with the store until the day of dividend?

The charge is sometimes stated more moderately, that the stores exceed market price by something just short of the dividend, so that the greater part of this is imaginary and

¹ *Les boulangeries co-opératives en France*, 1904, p. 234.

² *Industrial Efficiency*, Vol. I., p. 80.

³ Labour Commission (Sitting as a whole): Evidence of Mr. Robert Walker, organising agent of Traders' Defence Association of Scotland, pp. 351-62.

the remainder, no doubt, accounted for by inferior quality. Thus German traders¹ declare that "high prices are the main factor in the winning of dividends." But they rather naïvely add as additional factors "unequal conditions of competition," such as "cheaper purchase of larger orders, small rents, small taxes, employment of interest-free entrance money in the business and avoidance of show window decoration," which is in fact an admission of what we have submitted above, namely that costs of distribution in the store are less than in private trade. This being so, these causes must produce effects. Where are these effects to be found, except in their natural results, the profit or dividend of the society? They certainly do not go in sumptuous salaries to committeemen. There may be in all countries some leakage due to bribery and corruption among committeemen and salaried officials not only in the stores themselves but also in their federal organisations. But it would, I imagine, be incapable of proof that co-operative societies are more dishonest than the better class of private traders. The British stores, however, have not been blind to the dangers which must beset the members and servants of a big democratic organisation, if the lower class of private trader is allowed to tempt them with impunity; and they were themselves the pioneers of the Bribery and Corruption Act, which was passed on August 4th, 1906 and came into force January, 1907.

There is in Great Britain some truth in the assertion that many of the stores slightly exceed market price for some commodities, so that *pro tanto* the dividend is not all profit. But it is at least equally probable that many of the stores have brought down the prices of local traders and made market price a reality.

Again, "There is, perhaps, some ground for the belief that in districts where competition is not severe, or where, as in some of the mining districts, the co-operators have almost monopolised the trading of the district, the value of

¹ Cf. Enquete über die Lage des Kleinhandels, herausgegeben von der Handels-Kammer zu Hannover; Berlin, 1899/1900: quoted by R. Riehn, op. cit., pp. 28-35.

the dividend system in encouraging saving has led committees of societies to keep selling prices at a level unnecessarily high, in order to increase the dividend, much of which experience has shewn will be capitalised by the members."¹ In these cases it would be unfair to profess, and co-operators themselves do not make the profession, that the store is superior by the amount of the dividend. But it is equally unjustifiable to say that all the dividend is derived from over-charge, and it is in addition foolish² to suppose that in districts where competition is keen the stores could habitually exceed market price.

Perhaps the most reasonable ground of objection by private traders is the somewhat sentimental and inaccurate expressions of co-operative literature on the subject of "profit." The "profit" of the average shopkeeper is earned by as honest toil as the wages of the average store member. By calling "profit" a social fraud and figuring themselves as its extirpators, co-operators really belittle their own cause. It is because the stores organise and manage distribution in a superior way, because they are within their sphere more efficient agents of production, that they can reduce the expenses of distribution and production and so realise a greater net surplus, gain, or profit—the word used is unimportant—than is possible for the ordinary grocer or baker. Thus Mr. R. Walker complains³ (Q. 5196): "Now as these dividends that are given by the co-operative societies vary in different places from 6d. to 5s. in the £, we assert that it is shameful wickedness on their part in endeavouring to damage the character and interest of the private trader by pretending to the people that he gets from his customers

¹ Report on Workmen's Co-operative Societies, 1901. Introd., p. xviii. (Cd. 698).

² This psychological argument cannot be pressed very closely. Purchasers are notoriously inaccurate in calculation when a difference of time comes in. Just as many people will pay ever so much more than market price if they are not asked to pay it at once, so there may be others who over-rate the advantage of getting the dividend. However, they must surely be few. The debtor temperament is by nature averse to minute enquiry; but cash payment is a laboriously acquired virtue, and those who practise it, or their friends, are prone constantly to challenge its value.

³ Labour Commission (Sitting as a whole), p. 356.

as much as 5s. in the £." Quite true; where an efficient co-operative store can realise 5s. in the £, an efficient private trader selling at the same price cannot, because the organisation of the co-operative store has a greater absolute efficiency, which makes its costs of production lower than those of the private shop.

CHAPTER V.

SOCIAL SIGNIFICANCE OF THE CO-OPERATIVE STORE.

Social Advantages of the Store : (I.) Self-government, demanding an Efficient System of Control ; (II.) Cash Payments—Existence of Credit Trading—Different Calls for Credit—English Campaign against Credit-Trading ; (III.) Thrift—Accumulated Dividend—Uses made of Dividend, especially for Investments in House Property—Achievements of British Store Thrift—Temptation to High Dividends—Cash Payments and Dividends as affecting the Very Poor ; (IV.) Education—Peculiarity of British Movement—Example of Rochdale Pioneers—Extent and Nature of Co-operative Education.

THE store is not a working men's instruction club : it is primarily and essentially a commercial association. But in the course of and through its commerce it has conferred on its members certain social boons.

- I. It has introduced the working man to the task of self-government.
- II. It has familiarised the working classes with "cash payments."
- III. It has encouraged thrift and opened up fields of working class investment.
- IV. It has definitely called upon its members to make sacrifices for the improvement in intelligence and character of themselves and the working class generally.

I. Every member has one vote in the general assembly and no one has more than one vote. In the general assembly the most junior member (other than children under 18—in those cases where children may become members) has a vote in the election of the management and often a real opportunity of submitting suggestions or criticism. No doubt, as a rule, only the few enthusiasts are regular attendants, but there is not here, as in an ordinary company's meeting, the same probability that the audience will be overawed by one

or two big men. From membership to a seat on the committee, from the committee to the presidency, from the presidency to a directorship on the Board of the Wholesale Federation on the one hand, or on the Central Board of the Co-operative Union on the other, there is a graduated ladder of responsibility which the intelligent working man may climb. From committee membership upwards he is introduced to brain work of a high order, demanding at once business insight and the power of controlling others. In proportion as industry generally becomes more centralised and the working man more rigidly fixed to the machine, the co-operative society becomes more valuable as a corrective to the narrowness of his outlook as a worker. The chief business duties of the committee are to control the manager, who fixes prices and is generally given a fairly free hand so long as he makes the expected dividend, and to keep a watch over ingoings and outgoings. Most especially is it important to have an adequate "check-system," which at once controls the staff and regulates easily the claims of members to their annual dividends.

There are various systems at work in the different countries. In Belgium and Switzerland, purchases are registered in books or "carnets" belonging to the members, either in writing or by adhesive stamps. In Germany a kind of cash register, known as the "Kontrol-Mark" is used: instead of the register showing the figure in the glass case, it stamps the sum spent on a ticket which is handed over to the purchaser. In England the metal tally is still the most general token adopted. "Dealing in dividend tokens between members is always deprecated, but, at a sacrifice, they can generally be presented at the office of the society and realised upon before the end of the half-year."¹

II. It may be occasionally true that the shopkeepers in working class districts deliberately encourage indebtedness in order that they may subsequently exploit their victims by forcing on them goods at extortionate terms. Much more often the customers themselves beg it, as a condition of their

¹ E. Aves, *Co-operative Industry*, p. 47.

patronage. The shopkeeper under the alternative of credit or loss of custom risks the former; and when this is abused he must either summon the debtor—which would bring him unpopularity—or insist, as his only hold on the debtor, that the latter should at least go on trading with him. It is unfortunately considered among most classes a venial, if not a heroic, thing to trade on the credit of the shopkeeper. The co-operative store, however, being an association of working men, can forcibly impress on each working man, as he enters their association, that indebtedness at the store is an indirect form of dishonesty towards his own working class fellows. The first members of a store are generally serious-minded men who recognise the risk of indebtedness. Sure of themselves, they can by expulsion stamp out the evil as soon as it begins to shew itself. They know their members in a way that the ordinary shopkeeper cannot know his changing circle of customers. Since all members must hold at least one share, the store has a powerful lever for compelling obedience to its rules. As soon as the working classes become habituated to cash payments they continue because they realise its advantages. But it is the co-operative store only, with its democratic moral force, which has induced large sections of the working population to form this habit.

How far are co-operative stores in practice faithful to their principles?

The Government Report for 1901¹ states: "Returns published in recent years prove, however, that there has been considerable departure from this principle, the report of the Co-operative Union for 1899 stating that no less than 928 retail distributive societies in Great Britain gave credit for some period or to some limit of amount (in some cases to the extent of a certain proportion of the share capital held by the customer). Efforts are being made by some of the leading co-operators to induce the societies to abandon altogether the practice of allowing credit. But there appears to be some difficulty in doing this; and the total amount owing by

¹ Op. cit., p. viii., Introduction.

customers to retail distributive societies is stated by the Co-operative Union to have risen from £398,246 for 776 societies at the end of 1895 to £576,913 for 928 societies at the end of 1899"—*i.e.*, out of a total turnover of £45,000,000 for 1,446 societies, about 1.3 per cent. was unpaid for at the end of the year.

The same failing is noticed in other countries, but, as Dr. Riehn observes,¹ the percentage of store credits is still extremely small if compared with private trading. Thus the German "Handelskammern" report that three-quarters to nine-tenths of shopkeepers' goods are sold on credit, and that delays in payment of 12 to 18 months are very frequent.

The store has to meet three more or less different calls for credit.

The first and most reasonable call is for the periodic settlement for goods consumed regularly in small quantities, especially bread. Such credit is only undesirable in so far as it leads to irregularity in keeping to the settling day and accustoms the members in a general way to the practice of not discharging their obligations instantly. The safest method is therefore to keep payment on such lines as are employed by the Belgian societies for the sale of bread. There the members pay in advance by the purchase of "jetons d'avance" or books of bread tickets, which are handed over in detail as the bread is bought to the bread deliverer, who acknowledges receipt by entering the number on the member's "carnet" or receipt book. The advantages of the system are:—the store obtains money in advance for the payment of its own expenses: there is no need for the bread deliverer to keep fractional change or to have small running accounts with the members: the accounts between the deliverer and the store are simplified—so many *jetons* received, so many loaves sold: finally, the members are compelled to practice thrift by having their week's bread money ready in advance.

The second kind of credit asked is for purchases where members can without inconvenience pay cash but seek to

¹ Riehn, *op. cit.*, p. 71.

evade it from slackness or dishonesty. Within the limits of their shareholding, the store itself runs no risk by such credit.¹ But it is nevertheless its duty to abolish it because it weakens the working man's character.

The third kind of credit-seekers are members in occasional or exceptional distress. It is sometimes contended that the very poor are kept out of the store because of the stringency of cash payments. They may be kept out because they have not the strength of character to avoid debts, but not because they are really unable to. However small a family's earnings, so long as they suffice, with average foresight in the arrangement of expenditure, to keep it clear of the poor-house, and are received with average regularity, that family can pay cash, if only it has the good sense to keep perpetually level with its obligations, instead of perpetually many weeks behind. In fact, the poorer a family, the more it has to gain from membership in a store, which keeps it from starting on the backward course. In case of unemployment or sickness, however, families with small reserves may be really unable to pay at once, and in these cases it is not desirable that they should be driven to find credit with an outside tradesman. These exceptional cases are best dealt with by exceptional procedure. Thus in the Hamburg society, "Produktion," there is a special "Warenvorschussfonds" (goods credit fund), out of which loans are made to members in sickness, so as to enable the society to keep unbroken its general rule of cash payment. In the Italian stores there are similar loan funds. The bigger Belgian stores of the "Maison du Peuple" type have within their own organisation a wide-reaching scheme of distress relief, which includes free medical service and free bread in case of unemployment, sickness and child-birth. These benefits are earned not by subscriptions, as in the ordinary friendly society, but in proportion to the fidelity with which the members have in the past supported the store.²

In 1905, at the instigation of the Women's Co-operative

¹ It may, however, lose money by being prevented from securing rebates or cash discounts from wholesale houses.

² Cf. Statutes of Maison du Peuple, Bruxelles, p. 9.

Guild, a special sub-committee of the English Co-operative Union was appointed to carry on a definite anti-credit campaign. Their report¹ mentions that credit trading had increased up to £857,419, that 519 were giving credit contrary to their rules, but also that a number of societies of all sizes conducted all their business on a strictly cash basis, and that a number of others had been able to re-introduce it. The committee's chief recommendations follow exactly, and indeed consciously, the lines already familiar abroad:—
“ . . . (6) Bread tokens and savings coupons, as a means of securing payments in advance for goods. The latter system, as introduced by Edmonton and Enfield Highway Societies, is a novel (*sic*) form of saving, and affords easy facilities for the collection of small sums from the members, without the necessity of booking up or obliging the member to come to the stores to pay. The money so saved can be placed either to share or penny bank account, or handed in as payment for goods. (7) The formation of a mutual assistance fund, to be provided from profits, to relieve cases of distress among the members, caused by sickness or unemployment, so as to prevent recourse being had to credit.”
Where prepayment seems impossible or inconvenient, the committee recommends the rigid enforcement of a time (one week) or money limit. The advantages in trade of periodic settlements are so undeniable that literal cash payments will never in all probability be entirely re-introduced. Prepayment for certain commodities is feasible, but for other commodities the stores will probably have to be satisfied with a rigid enforcement of their time and amount limits.

III. The agency of thrift in the store movement is the “dividend.” It is a powerful agency because it is easy and half involuntary.

“All beginning is difficult,” and in nothing more than in saving. The co-operative store makes the beginning easy. In Great Britain “Frequently in large societies a first subscription of one shilling is the only payment in cash required, the balance due in respect of the member's liability

¹ Co-operative Congress, Preston, 1907, pp. 52-58.

in respect of his share being provided by crediting his share account with the sum to which he becomes from time to time entitled as his share in the profits."¹

What is the use made of the dividend, when the requisite share capital has been compiled? To order the spending of one's earnings so as to have a surplus at the end of the year is in itself an act of thrift. But is the result of the thrift used productively or unproductively? Is it frittered away, or perhaps consumed in a single big debauch; or is it made the basis of further thrift?

The Belgian stores, by returning profits in the form of tickets for goods, ensure that they shall be at least spent in the kind of necessities which they supply.

In Great Britain there is no such restriction: and there is no exact information as to how the dividend is spent. But much at any rate is used productively; either for further purchases at the store, or for the acquisition of house properties or for re-investment with the stores as share or loan capital. Mr. William Maxwell before the Labour Commission of 1892 speaks for Scotland. "From the increased trade at the stores immediately after the payment of profits it is clear that many of the members depend on these profits as a means to re-clothe, re-furnish and add generally to the comfort of their homes. Thus the money saved at the stores and periodically spent gives a new fillip to trade. It is also well known that many co-operative working men depend upon the store profit to pay their rent" (Q 411).² Again, "In many towns building societies grant loans to working men for the purpose of purchasing their houses. The profit from the co-operative store is frequently used to meet the instalments of the loan. Many have in this way become the proprietors of their own homes without effort. Not a few of

¹ Report of 1901, cit., p. xvi., Introd.

² It would be a strain on the word "thrift" to apply it to payment for utilities that are being or have already been consumed, as, for example, house rent. The sentence is merely included to complete the quotation. When, however, as in the following quotation, the workman buys a house on the instalment system and marks off his dividend for payment of the instalments, he is clearly practising thrift, *i.e.*, accumulating utilities to be consumed at a later date.

the co-operative societies have a building department which lends to their members, the profits being simply transferred to repay the loan " (Q. 412).¹

In 1906 the capital of the British retail stores amounted to £27,000,000, the whole being owned by store members, The majority of this has been collected by the automatic savings process of dividend re-investment. By law one member cannot hold more than £200 share capital, but he may deposit any amount in loan capital at a slightly lower rate of interest (usually 4 per cent.). " The account books of almost every old-established society would show numerous instances of members who, having invested in cash only one or two shillings and having in the course of a number of years withdrawn many pounds sterling, still have a substantial balance standing to their credit." ² The effectiveness of this automatic savings machine is such that in some parts of England, and frequently also in Germany³, high dividends have been artificially produced in order to stimulate saving. In 1903 the Doncaster Congress passed the following resolution:—" That in the opinion of this Congress abnormally high dividends are injurious to the progress of the co-operative movement, as the payment of such dividends involves the charging of high prices, which has a tendency to diminish trade and exclude from the benefits of co-operation those for whom its advantages are chiefly intended, and hereby expresses its opinion that the amount of dividend should not exceed 2s. 6d. in the £." ⁴ In 1905⁵ the average dividend amounted to 2s. 6½d. in the £—a reduction of 1d. in the £ as compared with 1899-1902. Out of the 1,328 societies comprised in the Board of Trade returns⁶

¹ The Report of 1901 gives the following statistics for retail stores owning house property let to members or sold (the purchase money remaining in whole or part on mortgage), together with the amount so invested.

	Societies.	Amount.
1899 England and Wales	456	£4,059,129
Scotland	86	£405,912

² Report of 1901, cit., p. xvi., Introd.

³ Cf. R. Riehn, op. cit., p. 21.

⁴ Quoted, C. Webb, Industrial Co-operation, p. 82.

⁵ 11th Abstract Labour Statistics, p. 162.

⁶ 11th Abstract Labour Statistics, p. 162.

it is noteworthy that only 2.2 per cent. of the total membership belonged to societies paying 1s. in the £ or less, and only 9.3 to societies paying over 3s. 6d. in the £. The average is markedly higher in the North than in the South of Great Britain. The solidarity of co-operation in the North accounts for this in two ways: it makes the stores cheaper working units, and it enables them in certain districts slightly to exceed market price without loss of custom.

IV. It is the definite sacrifice of effort and money in the interests of education which gives to British co-operation its peculiar flavour; and differentiates it most clearly not only from middle-class creations such as the Civil Service Stores, but from societies of strictly business outlook, such as the French co-operative bakeries and certain of their general stores. One form of education is common to all countries, the co-operative press; but this is as necessary to financial success as is the *Grocers' Journal*. France, Switzerland, Germany, Italy, while not strangers to the idea of educational services, have not gone further than propaganda by the central organisation by means of literature and lectures directly bearing on the co-operative movement. In Great Britain the efforts are local, though directed by a central body. In Belgium, it must be admitted, the non-commercial aspect looms larger than in Great Britain, but chiefly because Belgian co-operators have pursued political objects, which have been in Great Britain, Switzerland and Germany deliberately eschewed.

The first rule of the Rochdale Pioneers laid down "That a definite percentage of profits should be allotted to education."¹ And faithful to this example the model rules of the Co-operative Union recommend the putting aside of a 2½ per cent. of the profits as a fund, and the election of a special committee for its administration. In 1896 a committee of enquiry reported that there were 586 societies making educational grants, amounting in all to £46,752. By 1906 this had increased to £83,000. The Educational Committee of the Co-operative Union, established in 1885,

¹ Quoted, C. Webb, *op. cit.*, p. 69.

defines co-operative education as "primarily the formation of co-operative character and opinion; and secondarily, though not necessarily of less import, the training of men and women to take part in industrial and social reforms and municipal life generally."¹ The work done may perhaps be classified under three heads: I. Co-operation: instruction in its history and principles; II. General: libraries and lectures; III. Recreative: reading-rooms, concerts, recreation clubs, excursions. As I have said, the attention thus paid to social education distinguishes in particular British co-operation. The various forms of this, from the two scholarships of £100 per annum for the sons of working men co-operators at Oriel College, Oxford,² down to the musical entertainment following the presentment of a store's balance-sheet, have been systematically fostered by the Co-operative Union, which has shaped itself into a general unifying link for the securing no less of commercial than of social harmony. The rendering of these services has kept within the ranks of the co-operative movement social reformers like Arnold Toynbee, G. J. Holyoake, and Vansittart Neale, late secretary of the Co-operative Union, even when some of them felt estranged by the hostility of the stores towards the idea of labour copartnership.

In this sphere also the women have been able to acquire a public recognition corresponding to the power which really belongs to them of securing the working man's custom; and which is enormous as compared with their weight in any other form of working class organisation. Although under no formal disqualification, women do not habitually sit on business committees. But one woman has already filled the chair of the United Board of the Co-operative Union, and others the chairs of sectional boards. In fact, in the hierarchy of social duties, from local educational committee to Central Board, the women are finding a congenial and accessible ladder of opportunities. How far it is desirable that they should share in business control also must depend

¹ Quoted, C. Webb, *op. cit.*, p. 207.

² The Neale and Hughes Scholarships of £100 per annum for four years; a vacancy thus occurring about every two years.

on one's general estimate of the ability of (working class) women to handle business affairs : if familiarity with retail purchasing is any recommendation, that at least they have. The Women's Guild, the official director of female activity, which was established in 1883, has acted most beneficially as an inquiry department into possible defects within the co-operative movement, dealing, for example, with the conditions of co-operative employees' housing and wages, with credit trading and with the extension of membership in poorer districts. By these and similar services its leaders claim, not without reason, that it is combining the women into a coherent force, which is exercising with increasing significance an influence on social questions far beyond the range of commercial transactions.

CHAPTER VI.

INDUSTRIAL SIGNIFICANCE OF THE CO-OPERATIVE STORE.

Abundance of Capital encouraged Production by the Stores in Great Britain—Own Production gives strength to Idea of a Co-operative Commonwealth—The Store Movement and Municipal Enterprise: Similarities and Differences—Delimitations of the Store with regard to the Industrial Population and Industry: Agricultural Population and Agriculture: (a) The Store as an Employer of Labour—Profit Sharing with Employees; (b) The Store as the Champion of the Consumer—The Store and Industrial Combinations (Kartels)—Dispute concerning Proprietary Articles—Possible Weakness in the Store Movement—Résumé of Store's Achievements.

It is not of itself the dividend according to custom, or the $2\frac{1}{2}$ per cent. to education, which gives to British stores their *significance as a movement*; it is rather their policy of centralised expansion under the direction of the English and Scottish Wholesales. However, the attitude developed by its educational atmosphere fitted its members to understand and support a progressive policy. The thrift developed by the dividend provided the capital for carrying it out. As the British stores developed, they found themselves with funds amounting to some millions, which could not profitably be used in their own distributive businesses or in their wholesales, as long as they confined themselves to distribution. Unless, therefore, they deliberately rejected savings, they must re-invest them either in productive establishments within the co-operative movement or in ordinary commercial enterprises. The leaders saw and used the opportunity given them. By carrying co-operative effort back to the previous stage of production, co-operators might make their business independent of outside trade, and themselves a "State within a State." The retail stores were already their own producers for commodities which must be produced close to

the place of consumption. Groups of stores also owned corn mills : which in 1905 were 8 in number, with an output of £1,750,000.¹ But for general large-scale industrial production the Wholesale Society became the single centralised director. In 1902 the two Wholesales produced £5,250,000; in 1906, £6,500,000. This is the side of co-operation which is peculiar to Great Britain, but which the Continent aspires to imitate. The only limit to its expansion is the demand of the constituent stores for those goods which can be made in Great Britain. The store movement is therefore more than a series of shops, more than a series of centres of social education, it is an industrial commonwealth with very elastic powers of expansion in the direction of productive effort, delegated to a central body. In proportion as the base, the retail co-operative store, becomes wider and stabler, the superstructure can be made more effective. The Rochdale Pioneers and other early co-operative societies looked towards co-operative production, but they could not foresee its peculiar position as key-stone of the humble work of retail distribution with which they began. The wholesale societies have almost inevitably come across the path of the localised workers' societies. This is regrettable, but it can hardly be made a matter of reproach that they should follow out that course which seemed to them to guarantee most certainly the interests of their members.

In this way the co-operative store has developed a "social" or "collectivist" programme, social and collectivist in very much the same sense as is municipal trading. Both movements set out from the same standpoint, the rendering of economic services to the general body of consumers, with special reference to *their* interest and through delegates appointed from among them. But there are important differences.

The municipality undertakes those services, which are natural monopolies and which, if they are not directly performed by the municipality, must at any rate be subject to

¹ 11th Abstract of Labour Statistics, p. 169.

their special control: such are tramways,¹ lighting, water and gas. Competition here is only possible on a very limited scale. There may be keen competition in tendering for the monopoly, but when the contract has been given, simultaneous competition must be excluded, as wasteful and injurious to the public; so that the stimulus of competition can only be applied by the threatened or actual transfer of the contract at the term of expiry to another single firm. Furthermore, the inhabitants of the municipality cannot, if dissatisfied, go elsewhere for these services, unless they change their place of residence. They may abstain from using them, but if they are ratepaying householders, they must contribute towards the cost, if there is a deficit on the working.

The co-operative store, on the other hand, is built up in a competitive field. It enjoys no kind of State support. Membership is voluntary and those who dislike it may trade elsewhere. However, in so far as it can oust by its economic superiority competing tradesmen and draw within its ranks the whole wage-earning population, it may acquire, as it is acquiring in some parts of Great Britain, a virtual monopoly of supply. In this case, if it exploits, it exploits its own members. Clearly it will not do this intentionally; but supposing it should lose the competitive stimulus of an outside market, and supposing it should fail to replace this by effective emulation among its own members, then it might indirectly exploit its members by falling behind in industrial progress. The work of distribution, being necessarily local, must always admit of comparative rivalry. But centralised production by a federal wholesale might quite conceivably retrogress, if this body had trained its constituent stores into unwavering loyalty.

One of the dangers of municipal enterprise is the indefiniteness of the criteria of success. For some of its services, such as public gardens, baths, or roads, it does not aim at

¹ It does not follow that, because a municipality supplies the tram service, it should build the tram cars. The running is a monopoly and must be conducted on the spot. The building is not a monopoly and might very easily be done more economically in centres of wood and iron industries outside the municipality.

a financial return which shall cover the costs of production, looking rather for its reward to the improvement in the industrial and social position of the inhabitants. When, therefore, it proceeds to municipal trade, by which I mean enterprises which, in private hands, are expected at least to repay the costs of production, it may desire to render these services at prices below their actual cost, considering the deficit more than compensated by the increased benefit, or surplus of satisfaction, afforded to the consumers. This it can habitually do, because it can draw upon the taxpayer to make good the deficit.

The co-operative store has no taxpayer to fall back upon and must at least pay its way. In general practice it does more than this to the extent of the difference between its own cost price and the selling price of the outside market. However, where a central wholesale is at once a large buyer and a large producer, it is possible that productive departments will be continued which are not financially self-supporting, because their deficits are more than covered by the profits on wholesale distribution. We have seen reasons¹ for believing that this deficit is likely to be temporary only.

The councillors of a municipality are elected on other grounds besides those of aptitude for business control, and are therefore more likely to be at the mercy of permanent officials. The committee of the co-operative store is elected *ad hoc*. Its danger is rather that it will not give its official a free enough hand. The *clientèle* of the municipality or the co-operative store is limited practically to the inhabitants of their area. But the size of the municipality is fixed and arbitrary: while that of the store is elastic and capable of systematic rearrangement. Thus in Great Britain to-day the municipality is too small an area for electric supply; and working agreements between a series of municipalities are attended with friction. The store, on the other hand, by its system of branches or auxiliaries, can extend or contract its administrative area for distribution: provincial federations can be created for production which can be advantageously

¹ Cf. above, p. 315.

conducted close by the place of consumption: a national federation can assume all large-scale centralised production.

Municipal and co-operative enterprise are not likely to overlap, save in exceptional circumstances.¹ On the one hand, we noted above² that in the small country town of Birseck, Switzerland, the local co-operative society had equipped the village with electric light. On the other hand, it has been suggested that the municipality should in medical defence of the poorer classes supply bread and milk.³ If bread and milk were supplied through pipes, as is water, then these services, being reduced to monopolistic treatment, would have to be controlled and possibly worked by the municipality. As it is, the co-operative society, which has a natural interest in protecting the quality of its supplies, seems the more elastic and therefore the more suitable body. The municipal case would be the strongest in large capital towns, especially London, and also Paris, where the heterogeneous and fluctuating character of the population resists co-operative enterprise.

Having considered the delimitations of co-operation on the side of the municipality, we may discuss those on the side of general competitive enterprise.

First, with regard to industry and the industrial population.

Our survey of store history made it clear that the store movement is confined to two classes of the industrial population, the wage-earning working class and the salaried

¹ An interesting solution of this contingency is seen in the libraries and evening schools, formerly conducted by stores and now merged into or handed over to the municipal authorities.

² Cf. p. 102.

³ Even if bread and milk, not being monopolies, were successfully supplied by the municipality, it would not follow that the municipality could profitably take over other departments of retail supply. For a fairly obvious uniformity of quality seems essential to municipal enterprise. The condition of an economical water supply is that all should consume the same quality of water: and local conditions settle that quality so nearly that not much difference of opinion about it is likely to prevail. The same would hold, though in a much less degree, of bread and milk: but it would be very different with wine or ladies' hats. If the quality is uniform, corporate control of the municipal management by electoral votes may work well enough: if not, it might be highly tyrannical; an anti-luxury party, for example, might prescribe "toques."

official. There is every sign that within the near future—except in France—the stores will come to include the great majority of the wage-earning class, which is a constantly growing percentage of the total population. The stores of the salaried official are to be distinguished from these. Such are the different Services stores in London, the *Unione Cooperativa* founded by the railway officials of Milan, the *Unione Militare* at Rome, the societies of Government employees in Belgium and Germany. In the two latter cases, the members are drawn partly from the working class, so that these may ultimately be converted into working class stores. The others draw their members chiefly from the middle classes, and the single big selling establishment is for them the beginning and end of co-operation. The bond of membership is slight, and their customers are not only salaried officials but the middle class generally. There is no sign that such societies are ever likely to include the majority of the classes from which they are recruited, and no sign that their present members regard the store as a means of bringing within their direct control certain branches of production.

The working class stores do definitely aspire to control directly the production of all those commodities which make up the household requirements of the working man. For this there are two prime requisites, command of capital and command of business ability. In Great Britain the stores possess the former to overflowing: in 1899 £4,500,000 was invested by the stores outside their own movement. The stores of other lands possess the same constitutional devices which have facilitated this accumulation. Furthermore, the class of business managers is daily growing, who are willing, in return for an adequate salary, to organise and conduct huge businesses, accepting general supervision from and leaving financial risk to the association which employs them. It is difficult to maintain that high business talent can only be enticed by the prospect of millionairessdom; for the exercise of authority and the handling of big concerns seem to be at least an equally powerful stimulant.

The financial success of the store depends on the effective-

ness of the control exercised by the consuming members. This control would be very slight if the store manufactured other goods than those for immediate personal consumption, goods, namely, such as machinery, which are themselves merely the instruments of further production. To this extent there will always remain on the store premises some things which are not derived from co-operative sources.

This then seems to be the scope of the store movement in industry : distribution of goods for personal consumption first among the working class population, secondly among the salaried classes, who feel a homogeneity of professional interest : production by working class organisations alone (with rare exceptions in Italy) of all the goods which they distribute to their members. But this is its limit. Distribution among the remaining sections of the industrial population : production for distribution to these members : production of the instruments of production, and production for international trade : the services of transport and exchange : all these departments of industrial enterprise are, so far as can be seen, permanently outside the domain of the store movement.

Secondly with regard to agriculture and the agricultural population. How far is the store movement, which is recruited chiefly from the industrial working class population, likely to include within its ranks the cultivators of the soil ?

In Switzerland the industrial and agricultural population are about equally advanced in co-operation, with the result that the two sections have separated into independent organisations with serious differences of policy, especially as regards food tariffs.

In Great Britain the country is behind the towns. Hitherto the stores have had a large rural membership. In the eastern counties, especially round Lincoln, the practice has much developed in latter years of the farmers selling their produce to the local co-operative societies and receiving in exchange general provisions. In 1906 a Joint Committee of the Co-operative Union and A.O.S. was formed to promote joint action between "agricultural and distributive co-operation" and to prevent overlapping. Its main problem

will be : shall the farmers be encouraged to join the stores, if these already exist in their neighbourhood, or to found agricultural supply societies, with general store departments? The latter seems the more desirable : (1) because agricultural supply provides a training ground and preparation for the more difficult work of production and sale, (2) because special farmers' societies will be profitable in purely rural districts where there is no scope of the ordinary store, and special sale societies will be needed even where there are distributive stores, since the latter cannot guarantee to take all the local produce.¹

In France the country is in advance of the towns. In addition to the supply societies, there were in 1903 more than 400 rural co-operative bakeries.² Neither of the central organisations of the town stores has made any attempt to work in rural districts.

In Denmark there is nothing but agricultural co-operation, which extends to the provision of general household requirements. In Germany the town and country population have each their own separate organisation, though the farmers still buy general requirements from the private shopkeeper.

The general conclusion seems to be that wherever agricultural co-operation is developed, the farmers are likely to be outside the town store and possibly conscious of divergent interests; and that, if they come to include in their co-operative efforts the supply of general requirements, they will still remain quite independent.

How far is the store likely to be its own farmer? We have given in the introductory chapter reasons for suppos-

¹ The same problem will arise with reference to the Small Holdings Act, which stores are being advised to make use of (*cf.* Small Holdings Acts—Pamphlet by J. C. Gray, Co-operative Union, 1908). Several stores, *e.g.*, Desborough, already provide allotments. Ought they to attract small farmer members by providing holdings for them, or ought they to loan their funds, which many of them have in abundance, to special Co-operative Small Holdings Associations, with a Raiffeisen bank attached? The latter seems again more desirable, since the management of the credit operations by the associated farmers is more calculated to consolidate the latter and fit them for the handling of loans.

² *Cf.* H. Rivet, *op. cit.*, p. 317.

ing that such enterprise is apt to clash with the interests of the agricultural population and to be an inferior form of agricultural organisation.

Some retail stores in Great Britain and the Scotch Wholesale Society have their own farms. The report of the Central Board for 1907 shews 70 farms owned by retail stores with a total acreage of 9,281 $\frac{1}{4}$. The profits amounted to £5,844, but there were losses up to £4,604.¹ We have already noted² that the Scottish Wholesale worked a small farm, the Carbrook Mains Farm, but made losses on it, abandoning it for another at Carntyre in Lanark, which has had no special success; and furthermore that the two Wholesales work 45 dairies in Ireland, and two bacon factories, one in Ireland and one in Herning, Denmark. These dairies have not been financial successes (indeed, it is said, the experiment has cost the Wholesales some £50,000), and, as the result of amicable agreement, they are likely in time to be handed over to the milk-supplying farmers, who will conduct them as independent associations of agricultural producers.³

One reason assigned for the comparative failure of the Scottish Wholesale on its Scotch farm is that a store or wholesale has to pay in wages for many of the services which a farmer and his family do in their leisure time; and this is a general argument against the corporate cultivation of the soil.

There is no sign therefore that direct cultivation or "*l'industrie agricole*" will be an important or increasing branch of the stores' activity. The tendency seems rather to an equilibrium, in the form of direct dealing between the association of farmers and the association of industrial consumers.

Thus the British stores are the most important customers of the Irish and Danish dairies and egg societies. Within England itself the Eastern Counties Farmers' Co-operative Association (mainly supply) has a standing order

¹ Report of Co-operative Congress, 1907, pp. 145-7.

² Cf. above, p. 284.

³ Cf. C. Webb, op. cit., p. 113.

from the Ipswich Industrial Co-operative Society to supply so many pigs per week; while the Eastern Counties Dairy Farmers' Co-operative Society has among its London customers the Stratford and Woolwich stores.¹

In Germany within the last few years mutual relations have been carefully fostered between the agricultural Reichs-Verband and the Zentral-Verband of co-operative stores. In 1905² the stores purchased over 5 millions (Marks) of agricultural produce from agricultural societies: in particular butter, but also potatoes, fruit, eggs and wine. The individual stores, which deal both with single farmers and agricultural societies, obtained 7 per cent. of their wares directly from these two sources; the Hamburg Wholesale, which deals with societies only, purchased in this way 9 per cent. of its wares. The early difficulties of obtaining regular deliveries in uniform quality seem to have been largely overcome. The Hamburg Wholesale has in turn acted as agent on a small scale for the delivery of general provisions to the farmers' societies.

In Italy, the Unione Co-operativa of Milan and the Unione Militare of Rome manufacture their own wine.³ But since 1900 a number of wine societies have established permanent relations with the Cantine Sociale or co-operative wine restaurants in Northern Italy. The farmers' society makes the wine and transfers it at an agreed price to the restaurants.⁴ The vintry of Castellalfero di Asti has a standing agreement with the powerful store organisation, the Alleanza Co-operativa of Turin.⁵ In South France, the co-operative vintry of Maraussan has deliberately sought and won the custom of the French socialist stores, especially round Paris, for which purpose the society has an agency at Charenton. In 1906, its trade, all of which goes to the stores, exceeded one million francs.⁶ It is noteworthy that a neigh-

¹ Cf. *The Relation of Co-operative Distribution to Agriculture*, J. Nugent Harris. A.O.S. Pamphlet.

² Cf. *Jahrbuch des Zentral-Verbandes*, 1905, pp. 58-73.

³ A. Berget, *La Co-opération dans la viticulture européenne*, pp. 283-4.

⁴ Berget, *op. cit.*, 642-3.

⁵ Raineri, *op. cit.*, p. 74.

⁶ *Mémoire of Musée social*, *op. cit.*, p. 19.

bouring society¹ (Cebazan) attributes its difficulties to the fact that its grapes are of rare quality, producing wines for which there is no demand among the stores. In 1901 the Congress of Italian wine-growers at Novara passed the following resolution: "That the consumers' societies avoid competition with the farmers' wine societies ('Caves co-opératives') and the producers of wine: and that they foster on the contrary direct relations with them."²

Having discussed the limits of the store movement, we may proceed to two final considerations: (a) the position of the store as an employer of labour, and (b) the significance of the working class organising their own distribution and production from the standpoint of themselves as consumers.

(a) The workman, it is often said, makes the severest employer, and the British stores in earlier days certainly underpaid their managers and shophands. This was not only unjust, but against their interests, because bad treatment brings unpopularity with the class from which their members are drawn.

To-day at any rate the store is a good employer, paying at least trade union rates where these exist. Most of the employees engaged in distribution, either in the stores or the wholesale, are members of the "Amalgamated Union of Co-operative Employees," established in 1895,³ which is a combined friendly society and trade union, containing in its rules no provision for strikes.

In 1903 the Women's Co-operative Guild, after investigation of the conditions of work in the productive departments of the English Wholesale, reported⁴ that "no factory works more than 55½ hours," and that "throughout all the factories, in every trade, where a trade union exists, union rates or higher are invariably paid." The operatives are encouraged to be and generally are members of the local trade union.

Most of the retail stores do not share profits with their

¹ *Mémoire of Musée social*, op. cit., p. 90.

² *Berget*, op. cit., 287-8.

³ *C. Webb*, op. cit., pp. 100-4, and 181-3.

⁴ *C. Webb*, op. cit., p. 114.

employees (in 1903 only 241 out of 1,476). This is in accordance with Continental practice outside Belgium. The English Wholesale follows this practice, but the Scottish Wholesale has a bonus scheme, with opportunity for investment in the society and representation of employees on the directorate (in 1904, 3).¹

Profit-sharing with employees has been a thorn in the side of British co-operation; we have argued above² that profit-sharing is fundamental in the workers' society, but a mere question of policy for any form of employer or employing association—of which the store is one. It is noteworthy that in German-speaking countries, *i.e.*, in countries where profit-sharing by employers is unusual, the co-operative stores have not thought of regarding profit-sharing as an important element in the store's constitution. We should conclude, therefore, as follows. In retail societies, where employees are few and relations with the committee of management therefore frequent, profit-sharing is unimportant. In a big and more impersonal body, such as a wholesale society, profit-sharing, which is supplemented by representation of workers, offers a direct, but by no means the only possible, guarantee that the claims of the workers will be understood and the workers themselves led to take an interest in their work. The store does not exist for the purpose of conducting business at one and the same time from the standpoint of the consumer and from the standpoint of the producer. It is surely therefore justified in following out its own *raison d'être*, so long as its system does not involve injustice to others and so long as it gives its employees the same scope and treatment, as wage-earning workers, which its own members in their own different industries expect to enjoy and endeavour by their special organisations to command. It would certainly be an injustice were the store to refuse to its employees the advantages of dealing at the store, though it might be justifiable in the interests of the division of work to prevent their being committeemen and employees

¹ C. Webb, *op. cit.*, p. 119.

² Part III., chapter V.

in one and the same establishment. To-day, at any rate, the British stores encourage their employees to become members.

(b) "Ethically the consumer transcends the producer":¹ "The store represents the highest social interest, viz., that of the consumer."² Co-operative literature abounds in statements such as these.

In their literal sense, they are unconvincing propositions. Ethically the consumer is no more superior to the producer than is the batsman to the bowler. There is no meaning (or at any rate not the meaning that is intended) in saying that a man in the act of consumption is a higher social being than when he is at work. There seems no adequate reason why the British workman should incur an access of social virtue when he leaves the factory and returns home to drink his co-operative tea, plucked from his own co-operative plantations by meagrely-clad natives of Ceylon. Nor further, if our interpretation of profit³ be at all correct, can it be admitted that the gains of the store are "unselfish" because they are distributed among many, while the gains of the private employer are "selfish" because confined to a single person. The employer supplies articles which he does not consume and receives remuneration for his work. The members of the store do this work for themselves and not only consume these articles, but also spare the expense of the outside employer. By using the advantage of their position as associated consumers, they are in certain departments more effective agents of production, and as this effectiveness comes from the definite efforts of a united body, all this body participates in the resultant gains.

Where, however, a body of producers is able by combination to remove competition, then the association of consumers is a most valuable defence against the misuse of monopoly power. The Kartels in Germany have certainly

¹ C.W.S. Annual, 1903, p. 179. Article by H. W. Macrosty.

² T. Tweddell, *The Co-operative organisation of consumers*. Abstract presented to British Association, Leicester, 1907.

³ *Cf.* Part III., chapter V.

stimulated the growth of stores there. So also in the matter of proprietary articles, when their owners endeavour to impose on distributors a fixed price of sale, a united body of consumers can do what the single shopkeeper dare not, it can insist on complete liberty of action and enforce this demand by manufacturing for themselves in the event of a boycott. The British Wholesale to-day is fighting owners of proprietary articles, who object to the dividend granted on such purchases, as an infringement of the agreed selling price. But though an association of consumers cannot have a monopoly against itself, it may, as we have suggested, so drill its members into obedience, that it removes outside competition and then becomes slack in industrial progress. For example, to secure business honesty the British Wholesales conduct some of their wholesale purchasing under what is known as the "dual control system," by which a director accompanies the buyer, to supervise his purchases. There is a danger that the buyers in return will shrink from enterprise in pushing desirable novelties in patterns and modes, and take anything, however tasteless, which seems to be reasonably safe.

Yet for all its possible weaknesses the stores have achieved great things. They have utilised to the full the economic advantages which are derivable from the distribution and production of certain commodities from the standpoint of the consumer, and in so doing they have introduced a high standard of punctuality, thrift and self-control among the working class. The co-operative store on the one hand and the trade union on the other have enabled the working class to assert their worth in society, and in this sense the store has a "social" outlook, which is at once economic, social and industrial.

In its progress the store has inevitably inflicted on its competitors injuries which are regrettable from the social point of view. Especially in towns—such as certain of the Scotch towns—where the duties of citizenship are keenly felt, the store has brought to the ground tradesmen who were prominent on the municipal council and the local charities.

But in so far as such men stand for a system which is inefficient, their continuance means the diminution of the economic and social satisfaction of those who are involved in the results of this inefficiency. The railway destroyed many worthy coach-drivers and wayside inn-keepers, but it prevailed, and it was socially desirable that it should prevail. So also with the co-operative store.

CONCLUSION.

Bearing of Co-operation upon the Competitive System and upon Socialism.

WHAT finally is the bearing of co-operation upon the competitive business system in which we are said to live, and upon that other system called socialism, after which so many yearn?

It is difficult to approach so indefinite a term as competition; but by the competitive system we mean, I think, a system which allows individuals the fullest scope to choose their own occupation and to build up for themselves their own commercial relations. As such, it is successor to a byegone system in which business relations were fixed by status rather than by contracts, and between groups of men welded together by birth and custom rather than between individuals fluidly connected in obedience to economic interests. The competition of the older system was for the market, not in the market: an attempt to break into a status not in order to destroy it, but to perpetuate it after rearranging its contents. Modern competition, the competition of the competitive system, realises a higher conception of social justice. It secures, more effectually than its predecessor, freedom for each to express his powers and emerge from his inferiors, and the social change, whereby the opportunities for individual freedom may take social effect.

Co-operation is fully within the competitive system, as thus interpreted. It is not concerned to perpetuate distinctions of birth and custom, nor is its face set against change. It is of its essence that it should be open to all and its boast that it has brought its members into line with the advances which mankind is making towards the mastery of the powers of nature. It is rather complementary to competition in such a way as to temper its harshness and excesses.

For, while some members of society are strong enough to stand firmly amid the free play of contractual relations, the weaker members suffer because their weakness encourages others to exploit the ignorance and suspicion which that weakness involves. Co-operation draws together those weaker members whose business interests are homogeneous; and solidifies this homogeneity in a form of business association, which excludes by its constitution that excess of competition which results in some persons being exploited by others, merely because the former have not the intelligence to demonstrate the unnecessariness or ineffectiveness of their exploiters by uniting to do for themselves more efficiently all that their exploiters pretend to do.

But co-operation is a variety in a somewhat elusive unity, and its action upon competition realises itself in different ways.

The credit society and the agricultural society apply co-operation to that remnant of operations which can be reduced to standardised forms on such terms as to give the fullest productive value to the individual work of the small industrialist in his shop or of the small agriculturist on his farm. Co-operation to such men is really a weapon by which they can emerge as first-class competitors in an open market.

From the standpoint of the workers' society co-operation concerns conditions of employment. In those businesses in which, quite apart from co-operation, the structure of modern industry involves the working together of a considerable number of men, it mitigates the uncertainty and inferiority of the workers' position by arresting quarrel and stimulating creative sympathy. As a society, it stands in a competitive market.

The co-operative store acts more restrictively upon the competitive system. It could exist and to some extent flourish without persistent reference to the selling price of distributors outside its pale, although, as we have seen, the stores have so far won their success by accepting market price and exhibiting their superiority as a differential advantage on this. In so far, however, as the stores obscure market price

by securing a monopoly of working class custom and themselves producing the goods which they sell, they do introduce an other than the ordinary competitive test. They would then depend on friendly rivalry to keep each other up to the mark : and in ridding themselves of the disagreeableness of strife, they would lose any concrete business check upon unconscious slackening or misdirection of productive effort.

Socialism is even harder to define than competition. An accepted English apologist¹ sums it up as follows :— “Whereas industry is at present carried on by private capitalists served by wage-earners, it must in the future be conducted by associated or co-operating workmen jointly owning the means of production. We believe that on the grounds both of theory and history this must be accepted as the cardinal principle of socialism.” At the conclusion of the book he commends the co-operative movement as a step in the “solid tendency towards a new social order observable in the inevitable centralisation and concentration of industry” :² and gives as illustrations (1) the British stores, (2) the Schulze-Delitzsch credit banks, (3) the workers’ societies, or labour copartnerships of Mill’s famous chapter³ on the future of the working classes. With reference to Great Britain he adds, “Obviously the next step is to extend the co-operative system to farming. A way of deliverance for English farming will probably be found in this direction.”⁴

I doubt if even the most sanguine or most cynical of German Social Democrats would throw upon the banks of Schulze-Delitzsch an imputation of socialism. Moreover, it is certain that agricultural co-operation, in the only form in which it is successful, is the antithesis of the socialist ideal of collective ownership and cultivation : a truth clearly recognised by those socialists who, like the Belgians, have come into contact with it.

The author’s error, which he shares in common with many

¹ T. Kirkup. “An enquiry into socialism” (1907 edition), p. 105.

² Ditto, p. 198.

³ J. S. Mill, *Principles of Political Economy*, Vol. II., Bk. IV., Ch. VII.

⁴ Kirkup, p. 201.

other socialist writers, seems to spring from the assumptions, first that agriculture is a department of large-scale industry, secondly that all industry follows the tendency of some industries to large-scale centralised organisation. Both propositions are not only unproven, but directly negated by the evidence.

I should agree, however, with the implication that socialism is rooted on an economic fact, namely the capitalistic structure of a great part of industry, with its corollary of potential class warfare. Hence it is only to co-operation within this sphere of industrial action that incorporation with socialism can occur.

But the workers' societies do not in Great Britain and France represent to-day a movement which either claims or is recognised to be socialistic. This is no historical accident, inasmuch as the workers' society is from the socialistic point of view outside the line of the evolution of socialism; as some socialist writers¹ have discovered, the association of working men producers is uncongenial to an outlook which requires a uniform system of collective ownership and control.

The store on the other hand conforms faithfully to the socialist conception of industrial structure, so far as I can interpret this positively. For this conception, like that of the store, accentuates the notion of delegated responsibility. Just as the store organises distribution and production with workers operating under the control of the consuming members, so under socialism public bodies would organise businesses under the control of the tax-paying citizens, who would themselves be as far as possible employees of the public bodies in their locality. It would impose on all business managers and workers the attitude of public servants and by the same token it would have to face, as must also in a lesser degree the co-operative store, the risk of reducing these, especially the managers, to uninventive attendants on a huge machine.

But it is illegitimate to deduce from this similarity of

¹ *E.g.*, Beatrice Potter (Mrs. Sidney Webb), "The Co-operative Movement in Great Britain."

structure that the co-operative store must or ought to profess socialism. I admit that if the vast majority of the working class population in any country are avowedly socialists, then there is little violence to liberty in requiring a man to profess as a co-operator the political opinions which he holds as a citizen. On the other hand, if there is no such unanimity of opinion, the store by imposing a political profession excludes from membership those fellow-workers in a like economic situation who interpret otherwise their political creed. And in either case there is a danger that the introduction of politics into business may impair the effectiveness with which the latter is pursued. Finally, it behoves the socialist, if he would figure the store as of its very essence an outpost of socialism, to remember that self-help made the store, and that if socialism triumphant means the abolition of those tests of efficiency which self-help supplies, then socialism would be in danger of destroying the prime co-operative elements in it.

The more one attempts to bring co-operation into focus with such notions as competition and socialism, the stronger grows the conviction that co-operation cannot be resolved into aspects of these. It is not the negation of competition, nor does it affect competition in one way only. It is not the herald of socialism, nor is it a means to combat it. The co-operative synthesis lies deeper than this. It centres about a common and original impulse of man, which inspires him, whatever be his environment, to make his weakness strength by the simple plan of joining with others who are similarly conditioned, in the pursuit of a goal, which can be attained in proportion as he is prepared to co-ordinate his own interest with those of his fellow-members.

THE END.

APPENDIX ON CO-OPERATIVE LAW.

History and Significance of Co-operative Law—Definition of a Co-operative Society:—a Commercial Association Possessing (contrast Trade Union and Friendly Society, contrast Private Partnership, contrast Joint-Stock Company) (i.) Variable Members and Variable Shares—which are implicitly, if not explicitly, small; (ii.) Non-Transferable Shares—with Exceptions—Membership in a Co-operative Society: Acquisition of, loss of—Relation between loss of Membership and Recovery of Shares—Liability Involved: Limited *v.* Unlimited Liability—"Subsidiary" Nature of Unlimited Liability—German Variation of Nachschusspflicht—Organs of a Co-operative Society: General Assembly—Committee of Management—Council of Supervision.

CO-OPERATIVE societies in England are regulated by the Industrial and Provident Societies Act of 1893:¹ in Germany by the Reichsgesetz, betreffend die Erwerbs und Wirthschaftsgenossenschaften, of 1889:² in Belgium³ and Switzerland⁴ by the laws of 1873 and 1881 respectively: in Italy⁵ by a special section of the Commercial Code.

The English co-operative societies crept into legal recognition in 1846 as the children of the friendly society, being compelled by the national prejudice against association in restraint of trade to adopt this unnatural mother, and under the wing of this mother to win for themselves the privilege of engaging in exactly those activities which are opposed to the nature of friendly societies.⁶ To-day they are subject to the control of the Registrar of Friendly Societies, though they are essentially separate from the latter. English co-operative law was built up to accommodate the store and the productive society. Limited liability was acquired in 1862

¹ Cf. J. C. Gray, The Industrial and Provident Societies Act, 1893, published by the Co-operative Union. For earlier Acts, see above, p. 280.

² Cf. Parisius and Krüger, Das Reichsgesetz, betreffend die Erwerbs- und Wirthschaftsgenossenschaften.

³ Cf. Ch. Resteau, Traité des Sociétés co-opératives.

⁴ Cf. Das Schweizerische Genossenschaftsgesetz, extract published by Swiss Co-operative Union.

⁵ Cf. A. Maffi, Manuale per le Società co-operative.

⁶ Some of the stores still retain in their rules the "Frugal investments" clause of the Act of 1846.

almost as soon as it was permitted to the ordinary commercial company. Until this right was won, secure progress was impossible.

German co-operative law owes its creation and present position to Schulze-Delitzsch, the founder of the People's town banks. The first law of 1867, which applied to Prussia only, was made an Imperial law after 1870. The main difference of the new law of 1889 was the permission of limited liability. In 1867 the law had the credit bank especially in view, and therefore prescribed unlimited liability for all societies, without regard for the needs of the store, which can only flourish with limited liability. At the present day, the junior origin of the store is illustrated by the fact that in Germany alone stores are prohibited unconditionally from selling to non-members.

In Switzerland the co-operative law is a special section (Titel XXVII.) of the Federal Code, "über das Obligationenrecht," the three previous sections dealing with the ordinary joint-stock company.

In Belgium and Italy the co-operative law is only the special section of a larger code, regulating the ordinary joint-stock company. But although the Italian law recognises co-operative societies and makes regulations concerning them, it altogether fails to explain what in the eyes of the law a co-operative society really is.

In Denmark and France¹ there is no special co-operative legislation. In both countries co-operative societies fall under the provisions applying to ordinary business associations. In addition to this in France there is the "syndicat professionnel" created by the law of 1884: a non-trading association, which, as we have seen,² when applied to rural conditions, has been so liberally interpreted as to form practically another type of co-operative society.

In countries with a co-operative law, societies that are co-operative in spirit are almost always registered under the co-operative law. In Belgium, however, in direct imitation of France, co-operation on the land is in great measure

¹ Cf. Note below, p. 379.

² Cf. above, pp. 113-23.

covered by the extended application of the "syndicat," whilst co-operative building societies usually register themselves as joint-stock companies, in view of the superior powers allowed by the Government to societies with fixed capital. The number of co-operative societies in any country which are not registered as any form of society, and which are therefore mere unions of persons, is so small as to be negligible.

The main value of registration is the acquisition of a legal personality, with certain attendant advantages which are more or less the same in all countries:—the right of representation by officials, the right to sue and to recover debts. The main obligation of registration is the keeping of proper books and the presentment annually of a correct balance-sheet to the governmental authority. In Germany, in addition, every co-operative society has to submit to a "revision" of its constitution by a legally-constituted officer once in every two years; for the observance of the law in Germany is impossible without the aid of specialised talent.

The utility of a body of co-operative law is that it gives a sense of unity to an essentially peculiar type of business association. It is proved by the case of Denmark that co-operation can attain this unity in a marked degree, even where specific law is lacking. But this is probably due to the comparative simplicity and homogeneity of Danish life; and cannot therefore be applied as an argument against co-operative law for other countries. The ideal co-operative law would be that which would give every encouragement to genuine co-operation and every discouragement to shams. The German law by the multiplicity of its requirements certainly offers no encouragement to shams, but it cramps and occasionally excludes *bona-fide* societies. The other codes¹ give more freedom with greater chance of misuse. There can, however, be little doubt that the second evil is the lesser. Too often a German congress is concerned not

¹ However, the British Co-operative Union is now proposing an amendment to the Act of 1893 to give the Registrar the power to refuse his certificate in any case where registration is sought for a society which he does not consider to be "co-operative" in character.

with the discussion of economic principles or business practice, but with the endeavour to comply with the minute details of the law. Too often suggestions embodying real improvements are crushed beneath the destroying sentence of the *Anwalt* or legal adviser: "Aber nun, meine Herren, Sie stossen gegen Paragraph hundert und,"

[“But now, gentlemen, you are running up against Paragraph a hundred and”]

—so and so of the law.

Definition of a Co-operative Society. What are the marks of a co-operative society, as understood by the legislatures of different lands?

The law of each country opens as follows:—

England.—Industrial and Provident Societies Act, 1893.

4. “A society which may be registered under this act (herein called an industrial and provident society) is a society for carrying on any industries, businesses, or trades specified in or authorised by its rules, whether wholesale or retail, and including dealings of any description with land. Provided that (a) no member other than a registered society shall have or claim any interest in the shares of the society exceeding two hundred pounds, and (b) in regard to the business of banking, the society shall be subject to the provisions hereinafter contained.”

Germany.—Gesetz betreffend die Erwerbs- und Wirtschaftsgenossenschaften, 1889.

“Gesellschaften von nicht geschlossener Mitgliederzahl, welche die Förderung des Erwerbes oder der Wirtschaft ihrer Mitglieder mittelst gemeinschaftlichen Geschäftsbetriebes bezwecken (Genossenschaften) . . . erwerben die Rechte einer ‘eingetragenen Genossenschaft’ nach Massgabe dieses Gesetzes.”

[Law concerning co-operative societies in general, 1889.

“Associations with an open membership list, which have in view the furtherance of the craft or occupation of their members, by means of a business conducted in common (Co-operative Societies) . . . acquire the rights of a ‘registered co-operative society’ according to the provisions of this Act.”]

Switzerland.—Titel XXVII. des Bundesgesetzes über das Obligationenrecht von 14 Juni 1881.

“Genossenschaften. 1. Entstehung. §678. “Personenverbände, welche, ohne zu dem in den Titeln XXIV. bis XXVI. normierten Gesellschaften zu gehören, gemeinsame Zwecke des wirtschaftlichen Verkehres verfolgen, müssen sich, um als Genossenschaften das Recht der Persönlichkeit zu erwerben nach Massgabe der folgenden Artikel in das Handelsregister eintragen lassen.”

[Chapter XXVII. of the Federal Law concerning (commercial) obligations of 14th June, 1881].

[“Co-operative Societies. 1. Foundation, §678. “Personal unions, which, without belonging to the class of associations regulated according to Chapters XXIV.-XXVI., pursue in common business transactions, must, in order to acquire a legal personality as co-operative societies, have themselves entered in the Commercial Register in accordance with the following articles.”]

Belgium.—Loi du 18 Mai 1873 modifiée par celle du 22 Mai 1886 Section VI. des Sociétés co-opératives.

“Art. 85. La Société co-opérative est celle qui se compose d’associés, dont le nombre ou les apports sont variables et dont les parts sont inaccessibles à des tiers.”

[Law of 18th May, 1873, modified by that of 22nd May, 1886, Section VI., concerning co-operative societies.]

[“Art. 85. A co-operative society is one which is composed of members, whose number and holdings are variable and whose shares are non-transferable to third parties.”]

Italy.—Estratto dal codice di commercio, Caratteri e forme di Società Co-operative.

“Art. 219. Le Società co-operative sono soggette alle disposizioni che regolano quella specie di Società di cui assumono i caratteri indicati nell’art. 76 (regulating ordinary commercial companies) salve le sequente disposizioni speciali.”

[Extract from the Code of Commerce, Characteristics and forms of Co-operative Societies.]

[“Art. 219. Co-operative societies are subject to the regulations which govern the kinds of societies possessing the characteristics indicated in Art. 76 (regulating ordinary commercial companies), with the exception of the following special regulations.”]

One element is common to all codes—the commercial element.

In the cases of Belgium, Switzerland and Italy this is directly implied by the position of the co-operative society as a department of the general commercial code. The English Act, with a kind of bracketed apology for the illogical inclusion of a thing essentially commercial under a title essentially uncommercial, specifies the carrying on of "any industry, business or trade¹ whatsoever."

The German law gives formal expression to the element, *die Förderung von Erwerbe und Wirtschaft der Mitglieder*, ["the furtherance of the commercial interests of the members."]

The object of the co-operative society must be commercial. A literary society or a debating club cannot be registered as a co-operative society. Social and ethical elements are indeed indispensable to co-operation; but it is with commerce conducted in a social and ethical way and not with socialism and ethics that a co-operative society is concerned. It is the commercial element which is legally the *sine qua non*. Provided the object undertaken is commercial, the spirit in which it is conducted is a matter of indifference to the law. It is unlawful, for example, for a number of persons to build a gymnasium and register themselves as a co-operative society for the purpose of using it. It is permissible on the other hand to form a co-operative society for the purpose of building a gymnasium and leasing it to others, just as in Germany sick homes and hydropathics have been built by co-operative societies for the purpose of realising from this building business a profit for their members.

A co-operative society, registered for the purposes of building houses for its members, might conceivably raise a building to be used by its members in general for gymnastic purposes, but it would be as a building society and not as a gymnastic society and, unless it proceeded to the building of other houses, it would be struck off the register.

This distinction is of practical importance as furnishing the division between a co-operative society and a trade union or friendly society. A trade union is an association formed

¹ Up to 1898 the category was "labour, trade and handicraft," but it was changed in that year to its present form, so as to include insurance and banking.

for the defence and advancement of the common interests of persons exercising the same trade or trades. It is not a commercial society; it merely organises the workman in bargaining power so that he shall be able to hold his own against the master. A trade union may indeed create out of itself a co-operative society, but it cannot be by the same formula a trade union and a co-operative society engaged in trade.

A co-operative society is not a friendly society. A friendly society¹ does not trade anymore than a trade union. It is a thing of subscriptions, not of shares and profits. It collects subscriptions in many small amounts and, after allowing for expenses of management, returns the equivalent in a series of regulated payments at a time when it is needed. Co-operative law, however, is divided as to whether a Popular Pharmacy can be registered as a co-operative society. In Italy such pharmacies rank (as they also could in England, if they existed) as co-operative societies: in Belgium as mutual aid societies. Co-operative insurance also is on the border line. In most countries co-operative insurance societies can take either form.

Secondly, the German law declares, the co-operative society furthers the commercial interests of its members, "*mittelst gemeinschaftlichen Geschäftsbetriebes*,"

["by means of a common business undertaking,"]

i.e., by means of a continuous self-contained activity, a business undertaking from which the title of the society is derived.² A co-operative society must itself operate. A co-operative dairy, for example, does not operate if it hands over to a third party the collection and disposal of its members' milk supply. "*Geschäftsbetrieb*"

["business undertaking"]

does not imply that there must be a commercial exchange (*Handel*) from which a surplus or profit emerges. A village credit bank need have no dealings with outside members, it

¹ Conceivably, however, a co-operative society might be established to do the business work connected with a friendly society. Thus a special co-operative society is being registered now in England, "to carry on the business of providing superannuation and old age pensions for co-operative employees." (Information privately supplied by Mr. J. C. Gray).

² *Cf.* Krüger, *Die deutsche Genossenschaftsgesetzgebung*, p. 29.

wins no "profit" for its members. It is none the less a co-operative society "carrying on the business of banking." Further, the business must be "gemeinschaftlich."

["common."]

It must be carried on by the members or by delegates appointed by the members: a regulation which excluded any member or class of members from some share in the conduct of the society's business would be illegal. By this provision, it is the intention of the legislature to exclude the ordinary industrial partnership, in which the workers have no part. This, however, does not prevent the society from employing outside workers, so that if the number of members is very small as compared with the number of non-member workers, the society can violate the spirit, while complying with the letter of the law.

Lastly, in the German definition, the co-operative society has a "nicht geschlossene Mitgliederzahl."¹

["open membership list."]

It is illegal to fix once and for all the size of the society at a given number, which may be neither increased nor diminished. The society, however, can make itself in practice a closed society by rejecting all applications as they occur. The letter of the law is then saved by the possibility of an alteration in the downward direction through the death or withdrawal of existing members. The only limitation to this practice is a later paragraph of the law, which says, "Die Zahl der Genossen muss mindestens sieben betragen."

["The number of members must amount to at least seven."]

The German code emphasises the difference from the industrial partnership positively and negatively; positively by the phrase "gemeinschaftlichen Geschäftsbetriebes,"

["common business undertaking,"]

negatively by the minimum of seven members. Other countries content themselves with the negative limitation only, separating both joint-stock companies and co-operative societies alike from the industrial partnership by the same arbitrary number limit.

¹ Cf. Krüger, op. cit., p. 31.

The German code suggests without emphasising the more important difference between the co-operative society and the joint-stock company, when it speaks of the “nicht geschlossene Mitglie­derzahl.”

[“open membership list.”]

Other countries bring this out more clearly, and of these the Belgian code is the most luminous :—¹ Art. 85. “La société co-opérative est celle qui se compose d’associés dont le nombre ou les apports sont variables et dont les parts sont inaccessibles à des tiers.”

[Art. 85. “A co-operative society is one which is composed of members whose number and holdings are variable and whose shares are non-transferable to third parties.”]

There are here two main points :—

I. Variability of capital and membership.

The co-operative society is a union of persons : the joint-stock company a union of capitals. The members of a co-operative society unite by reason of the personal confidence which they feel in each other ; and since the co-operative society is a union of persons and not of capitals, the number of members and, in consequence, the amount of capital are variable. The capital of a joint-stock company, on the other hand, can only be altered after formal notification, because it is the presence of the material thing, capital, which gives a guarantee to intending investors or to outside bodies having commercial relations with it.

The co-operative share, because it is in the nature of an entrance-fee to a personal union, is allowed to be as small as the members desire,² or at any rate to be very small. This corresponds to an element in co-operative societies which the legislature without express mention has especially in mind—the element of the commercially weak : either weak absolutely, or weak for the special end pursued by the society. The law offers to the small man the accommodation which he could not so readily obtain under any other form of commercial association, be he the humble toiler in the city, the petty consumer with his halfpence of custom, or the small pro-

¹ Cf. Resteau, *op. cit.*, Cap. IV.

² E.g., in Great Britain, where co-operative societies can and have been registered with 1d. shares.

prietor on the land. The ordinary joint-stock company would seldom be lamed by a moderately severe downward limit to the size of its shares. The ordinary co-operative society would be killed by such a limit. It may be desirable that the joint-stock company should be compelled to fix a minimum or to subscribe a whole or a part of that minimum. But it is equally desirable that the co-operative society should be allowed to place that limit as low as it pleases; for the co-operative society works among poor and weak people to make them strong by association.

Again, the co-operative society saves the small man from the dilemma of having a large proportion of his capital idle or of suffering loss by its withdrawal at times of stringency. Because the capital is variable, he can utilise his savings as they accrue—and this the more effectively, the smaller the size of the shares—and at the same time he can, within the time limit set by the society, withdraw them when he has need, without severing his membership in the society. He has not to sell out at any price; and perhaps lose heavily in the transaction. He preserves, as he obtained, his membership by holding the statutory minimum; and he has the remainder of his capital free for his immediate wants.

This statement requires modification for consumers' societies, which refund shares in the form of goods—as in Belgium itself.

Finally, because the number of members is variable, the co-operative society can stand upon a democratic basis. It can be popular and open to all. None need be rejected on the ground that all the shares are taken up.

Although the law of every country has been framed to be adaptable to the needs of the small man, two countries alone make express provision for excluding the big man—England and Italy.

This result may be obtained indirectly as in Germany, if the assumption of the co-operative form is enveloped in such strict formalities as to be avoided by the ordinary commercial company. But this, of course, is liable to hamper unnecessarily the development of co-operative enterprise. In Germany, the severity and excessive formality of the law

certainly keeps out the ordinary joint-stock company, but it also keeps out some societies which are co-operative in spirit, for example, a society of huge size such as the Konsumverein of Breslau. The law enacts that strict and immediate notification of the resignation or death of members must be sent to the public registry, on pain of fine and suspension. But the Breslau Konsumverein, with a membership of over 80,000, scattered over many miles, is incapable of keeping a sufficiently strict watch on the movements of its members and therefore cannot register itself as a co-operative society. Here the legislature is in danger of defeating its own ends. In Switzerland, and to some extent in Belgium, the joint-stock company can assume the co-operative form and the attendant privileges without much restriction of its freedom of action. But, although the law in these countries runs the risk of inviting pretenders, yet the assurance of freedom to all enterprise that is truly co-operative probably outweighs the danger of improper use.

In England and Italy the law fixes an arbitrary maximum of shares which may be held by one member. "No member other than a registered society—which is itself composed of members not holding more than £200—shall have or claim any interest in the shares of the society exceeding two hundred pounds."

"Nessuno può avere in una Società co-operativa una quota sociale maggiore di lire cinquemila, nè tante azione che eccedano tale somma al valore nominale. Il valore nominale dell' azione non può eccedere le lire cento." (Art. 224 init.)

[“No one may have in a co-operative society a holding of more than 5,000 lire (£200), nor shares exceeding the said sum at par value. The par value of shares may not exceed 100 lire (£5).” (Art. 224 init.)].

The sum of £200 is not a limit which is necessarily applicable to every form of co-operation. It corresponds to the practical needs of English and Italian co-operation, where—though this is truer of England than of Italy—the consumers' society, which in its nature requires a comparatively small capital, preponderates. It might not, however, correspond to the needs of co-operative production and banking, where a much larger capital may be necessary. It is

significant that in Germany, where the co-operative law was framed with a special view to facilitating co-operative banking in towns, such a maximum is absent. True, no member in an unlimited liability society may hold more than one share, but there is no limit to the size of this share.

II. Non-transferability of shares.

Art. 85 (Belgium). "La société co-opérative est celle qui se compose d'associés . . . dont les parts sont inaccessibles à des tiers." Art 99. "Les droits de chaque associé sont représentés par un titre nominatif, qui porte la dénomination de la société, les noms, prénoms, qualité et demeure du titulaire, la date de son admission, le tout signé par le titulaire et par celui qui a la gestion et la signature sociale."

[Art. 85. "A co-operative society is one which is composed of members . . . whose shares are non-transferable to third parties." Art 99. "The rights of each member are represented by a personal title paper, which bears the name of the society, the names, Christian names, standing and residence of the owner, the date of his admission, the whole signed by the owner and by the person who manages and signs for the society."]

And with this may be compared the Italian code, Art. 224, fin :—

"Le azioni sono sempre nominative e non possono essere cedute finche non siano interamente pagate e se la cessione non sia autorizzata dall' assemblea o dal consiglio d'amministrazione, secondo le disposizioni dell atto costitutivo."

[“The shares are always personal, and cannot be transferred until they have been entirely paid up and unless the transference is authorised by the general meeting and the managing committee, according to the provisions of the statutes.”]

These two codes express formally what is implicit in those of other countries, with the exception of England. The member of the joint-stock company can transfer his interest in the company by selling to anyone who is willing to buy it, and unless the buyer can be proved to be desiring very patently the injury of the company, he enters *ipso facto* into the duties and privileges of the retiring member. Not so in the co-operative society, where an old member can only transfer his rights and duties to a third party after

the latter has been accepted by the society as a member. A share is not, as in the joint-stock company, a piece of saleable property. It is a private bond between the member and the society; it is "nominatif," inscribed with his name. In a joint-stock company one share is as good as another. In a co-operative society one person may not be as good as another. And inasmuch as others may be presumed to have entered into relation with the co-operative society, not on the guarantee of so much material capital, but on the guarantee of certain men, it is not right that a member, whose character they know, should transfer at will his property to a third party, of whose character they may be ignorant.

If shares were transferable, and if in addition to this transferability the number of shares was limited either absolutely or by the imposition of a heavy entrance-fee, then the shares of such a society would degenerate at once into an object of commercial speculation. So long, however, as shares are not fixed in amount and the entrance-fee is nominal, even with transferable shares the danger of speculation does not exist; for no one will buy at a premium from another member what he can acquire at par value by direct application to the society.

In England, however, a society is allowed to issue transferable shares. In practice this opportunity is not utilised to any considerable degree except by workers' societies, which, operating as they do with a comparatively large amount of fixed capital not easily realisable, would be liable to severe embarrassments if a number of members at one and the same time withdrew their holdings. It is usual to limit these shares, but the shares cannot become a prize for investors, because the committee reserves to itself the right not only of issuing new shares at par, but also of calling down existing shares to their par value and repaying them at that rate. Consequently no speculator is likely to pay £6 for a £5 share, which may be paid off for £5 the following week.

Under all other codes, and in England in those societies in which the statutes do not stipulate for power to issue transferable shares, the whole capital of a co-operative

society, from the society's point of view, is loan capital. The only safeguard which the laws allow is the necessity usually imposed on the retiring member of notifying his withdrawal, which in some Continental countries must be sent in during the first months of the business year. This proviso, however, only applies to cases where the member withdraws all his shares, *i.e.*, retires from the society altogether. This suffices for societies of unlimited liability, where the member can only hold one share, but with limited liability, where the member may hold several shares and withdraw all but one, the danger is not removed. The Belgian consumers' societies circumvent the difficulty by repaying shares in goods, a practice which has been declared legal by the courts. It may be noted that French workers' societies, regulated by company law, usually make provision for repayment by instalments, no batch of which is to exceed a certain proportion of the total capital.

Acquisition of Membership.

As has been said, the candidate claiming admission to a co-operative society enters into a personal union, in which a material share of money is only an attribute. Now the society, acting either through its own body or through its delegates, has power to impose any stipulation that does not involve a direct illegality: it may impose, for example, the profession of a particular religion, or presentment in special form by relatives who are themselves members of the society or resident within a particular district; or it may insist that candidates be of a certain age, healthy of body and mind, and that they submit to a medical examination to verify this. Where, however, the condition is one which the law does not recognise as permissible, it is null and void. For example, one of the most effective weapons of co-operative control on the Continent is an obligation upon members, enforced by fine, to conduct all or a given percentage of their custom exclusively through the society for a given number of years. But it seems doubtful whether this would hold in English law; and at any rate it has been objected to on this score by the Registrar in the case of Irish dairies and supply societies. It is, however, certainly legal in England to

insert a provision in the rules that any member not giving his trade to the society may be expelled and *paid off*. In the model rules of the British stores there is a clause to the effect that any general meeting may fix an amount which every member shall be required to purchase from the society : and that if he fails to do so, he shall be paid off and cease to be a member.

The society's power of rejecting candidates is absolute : and the society need assign no reason for its action, just as a private individual with a house for sale can refuse offers without giving any explanation of his motives. This power is one which conforms to the idea of a co-operative society. In a society of persons the reason determining the admission of a new member is appreciable only by the members of that society. It is desirable for the welfare of a society that all its members have personal sympathy with one another, that they be united not only by ties of interest, but also by ties of mutual friendship. It is therefore necessary that a society have power to reject without explanation candidates who, with all the statutory qualifications, seem to them to have failings of temperament or intellect, which it would be sometimes impossible, and always invidious, to formulate. The grant to any party of a right either to force an explanation or to over-rule those explanations, when given, would prepare the way for discord which would threaten the society's existence.

Loss of Membership and Recovery of Shares.

A member may lose his membership in the society if he breaks one of the material qualifications imposed in the rules, such as leaving the neighbourhood, omitting to trade with his society, or joining more than one society in which he undertakes unlimited liability. He can also be excluded under certain conditions for considerations affecting his personal character.

But has he a right to withdraw of his own accord ? and if so, what is the "share" which he has the right to withdraw ?

The first of these two questions is answered differently in different countries.

In Germany :—

“Jeder Genosse hat das Recht, mittelst Aufkündigung, seinen Austritt aus der Genossenschaft zu erklären. Die Aufkündigung findet nur zum Schlusse eines Geschäftsjahres statt. Sie muss mindestens drei Monate vorher schriftlich erfolgen. Durch das Statut kann eine längere, jedoch höchstens zweijährige, Kündigungsfrist festgesetzt werden.

“Ein den vorstehenden Bestimmungen zuwider-laufendes Abkommen ist ohne rechtliche Wirkung. §65, I.”

[“Every member has the right, by notice, to announce his resignation from the society. The notice only takes effect at the end of a business year. It must be sent in in writing at least three months beforehand. By special provision a longer notice term can be ordained, provided it does not exceed two years.

“Any arrangement contrary to the aforesaid regulations is without legal validity.”]

In Switzerland :—

“So lange die Auflösung der Genossenschaft nicht beschlossen ist, steht jedem Genossenschafter der Austritt frei.

“Ein statutarisches Verbot des Austrittes oder ein vertragmässiger Versicht auf denselben ist ungültig.

“Ist über die Kündigungsfrist und den Zeitpunkt des Austrittes in den Statuten nichts fest gesetzt, so kann der Austritt nur am Schlusse des Geschäftsjahres nach mindestens vierwöchentlicher Kündigung statt finden. §684, I.”

[“As long as the dissolution of the society has not been decided on, every member is free to resign.

“A statutory prohibition of resignation or a surrendering of the right by agreement is invalid.

“If nothing is laid down in the statutes as to the notice term and the time for resignation, then resignation shall take effect only at the end of the business year, after at least four weeks’ notice.”]

In Belgium, §88 says that the act of constitution will (not *must*) indicate “les conditions d’admission, de démission et d’exclusion des associés et les conditions de retrait de versements.”

[“the conditions of admission, resignation and expulsion of members, and the conditions of the recovery of share holdings.”]

Only in default of dispositions on these points does §89 come into operation, "les associés peuvent se retirer de la société."

["the members can withdraw from the society."]

In Italy :—"Se l'atto costitutivo autorizza i soci a recedere dalla società, la dichiarazione di recesso deve essere annotata dal socio che recede nel libro dei soci e notificata alla società, per atto d'uscire. Essa non è operativo che per la fine dell' anno sociale in corso, purchè sia fatta prima che incominci l'ultimo trimestre dell' anno stesso. Se è fatta piu tardi il socio è vincolato anche per l'anno seguente." (Art. 226).

["If the statutes authorise members to resign from the society, the declaration of resignation ought to be inscribed by the resigning member in the members' book and notified to the society by special message. It does not take effect until the end of the current business year, provided always that it is made before the beginning of the last three-monthly period of the same year. If it is made later, the member is bound for the year following also."]

In England, the right to retire (apart from the question as to whether the member can recover his shares), though not expressly stated, is held to be implicit in the general freedom of the contracting individual.

From this it appears that in Belgium and Italy a society has power to impose membership either for a given number of years, or for the period of the society's existence, which in Belgium cannot exceed thirty years. But it is also obvious that this is contemplated as an exception. The general rule of both these countries corresponds with the express command of the other three. Membership in a co-operative society is a voluntary bond which can be severed at will.

Secondly, what is the share which the retiring member has the right to withdraw?

The property of a society consists of two parts, to one of which the retiring member has no claim whatever. This is the reserve fund or funds, however constituted, whether from entrance-fees, private donations or appropriations from the annual net profits.

All co-operative societies have a reserve fund, but in two countries the building of a reserve fund is formally prescribed. In Belgium, "Il est fait annuellement sur les bénéfices nets un prélèvement d'un vingtième au moins, affecté à la formation d'un fonds de reserve : ce prélèvement cesse d'être obligatoire, lorsque le fonds de reserve a atteint le dixième du capital social." (Art. 62).

[“ There shall be made annually on the net profits a levy of one-twentieth at least, devoted to the formation of a reserve fund: this levy ceases to be obligatory when the reserve fund becomes equal to one-tenth of the capital.”]

The German law states simply that the statute must provide for "die Bildung eines Reserve-fonds, welcher zur Deckung eines aus der Bilanz sich ergebenden Verlustes zu dienen hat, so wie die Art dieser Bildung insbesondere den Teil des jährlichen Reingewinns, welcher in den Reserve-fonds einzustellen ist, und den Mindest-betrag des letzteren, bis zu dessen Erreichung die Einstellung zu erfolgen hat." (§7, 4).

[“ the formation of a reserve fund which is to serve for the covering of a deficit in the balance, as well as the method of its formation, especially the share of the yearly net profit, which is to be placed in the reserve fund, and the minimum amount of the latter, until the attainment of which the annual contribution must be made.”]

Only in the event of the society's dissolution can individuals receive a share in the reserve funds—and even then they may receive nothing if the statutes declare that in case of dissolution the reserve funds are to be devoted to some kindred object in the district. This provision is a usual feature in rural credit banks, where the reserve fund is very large proportionately to the subscribed capital (if the latter exists at all), and it is a salutary safeguard against unprincipled attempts to wreck the society in order to participate in funds, which have been collected, perhaps, by the patient efforts of a previous generation.

It is to the other half of the society's property that the retiring member has claims.

As the Belgian law reads: "Il a droit à recevoir sa part telle qu'elle résultera du bilan de l'année sociale pendant

laquelle la démission a été donnée ou l'exclusion prononcée."

["He has a right to receive his share, as it shall be determined by the balance of the business year in which his resignation has been handed in or his expulsion pronounced."]

Other codes contain similar provisions. (Art. 96). In the United Kingdom, however, the question is complicated by the use of transferable shares. In the store the member has a right to repayment of non-transferable shares, but in the case of transferable shares, the committee can either pay these off or compel the member to find a transferee. However, all withdrawals are subject to the society being solvent at the time, so that if the committee considers the financial position of the society does not justify the repayment of withdrawals, it can suspend the right of withdrawal for a period fixed by resolution of the general meeting. In the case of a workers' society, which has none but transferable shares, the usual plan is to insist on sale and transfer of the shares.

Here again appears the difference between the co-operative society and the joint-stock company. The amount of stock which a member of a joint-stock company has from time to time purchased is the measure of his stake in the society. Often in a co-operative society a member has paid in at the outset a portion of the first share only, the remainder being the gradual accumulation of reserved dividends. This course suits particularly the poor man. The amount standing to the credit of each member is continually varying. A member's property may consist at the end of a given year of three parts, (1) the sum which he has directly paid in, either at the outset or later, (2) the untouched dividends of previous years, (3) the dividend of the year in question. If in any year there has been a loss in the society's business which cannot be met from the reserve, then each member's account is so much the smaller. The exact state of a member's property can only be known after the year's balance has been struck. Only after the year's losses, if there be any, have been apportioned among the different members can the member reclaim his

own particular share, and more than the sum which he has actually paid in or left with the society he cannot take out.

Liability of Membership.

What is the liability of a member of a co-operative society? Liability may be of four kinds:—

1. Liability, unlimited and undivided.

2. Liability, unlimited and divided.

3. Liability, limited (*a*) up to a certain sum, greater than the amount of subscribed capital, (*b*) up to the amount of subscribed capital only.

4. Liability: limited for some and unlimited for others.

2. and 4. are unimportant in co-operative law: they occur only in the codes of Belgium and Italy, being derived from the French classifications of “*société civile*” and “*société en commandite*.” In the “*société civile*,” responsibility is “*illimitée, mais divisée*,” *i.e.*, if there are fifteen members in a society, each is bound for one-fifteenth of the society’s debts to the extent of his whole patrimony. In the “*société en commandite*” the directors have unlimited liability; the other shareholders, who have no share in management, have limited liability. If the shareholders interfere in the management, their responsibility becomes *ipso facto* unlimited.

It is significant that in every country outside England a co-operative society’s liability is held to be unlimited unless a limited liability is expressly stipulated. Statements to this effect are placed formally in the codes of Belgium and Switzerland:—

Belgium, Art. 88: “L’acte (of constitution) indiquera, en outre . . . 6°; l’étendue de la responsabilité des associés, s’ils sont tenus des engagements de la société, solidairement ou divisément, sur tout leur patrimoine ou jusqu’ à concurrence d’une somme déterminée seulement.”

Art. 89: “A défaut de dispositions sur les points indiqués en l’article précédent, ils seront réglés comme suit . . . 8°. Les associés sont tous solidaires.”

[Art. 88. “The act shall furthermore indicate . . . 6°, the extent of members’ liability, whether they are bound by the society’s engagements, jointly or separately, to the extent of their whole fortune or up to a fixed limit only.”]

[Art. 89. “In default of provision for the matters indicated in the preceding article, they shall be regulated as follows . . . 6°. The members are all jointly responsible.”]

Switzerland, §689: "Ist eine Bestimmung, durch welche die persönliche Haftbarkeit der einzelnen Genossenschafter ausgeschlossen wird, in den Statuten nicht erhalten oder nicht gehörig veröffentlicht worden, so haften sämtliche Mitglieder solidarisch mit ihrem ganzen Vermögen."

[§689. "If no provision, excluding the personal liability of individual members, is contained in the statutes or formally published, then the members together are jointly responsible to the extent of their whole fortune."]

In England, however, where the co-operative store preponderates and co-operative banking is little developed, unlimited liability is not even contemplated. Art. 5, §5 of the Act reads, "The word 'limited' shall be the last word in the name of every society registered under this act." Therefore the small credit banks of Ireland can only by special provision in their rules possess unlimited liability.

Unlimited liability does not signify that a creditor can prosecute an individual member when he has any difficulty in obtaining payment from the society. As the Swiss code says, "Diese Haftbarkeit ist eine subsidiäre in dem Sinne dass die Genossenschafter so weit haften als die Gläubiger in dem Genossenschaftskonkurse zu Verlust gekommen sind" (§689),

["This liability is subsidiary in the sense that members become liable in so far as the creditors, after the society's bankruptcy, are unpaid."]

i.e., the creditor must exhaust the society's property before reaching the individual member. This is true of all countries.

In Germany there is a second form of unlimited liability known as "unbeschränkte Nachschusspflicht." In this second form the creditor can at no stage come upon the individual. Up to a certain point the procedure¹ in both forms is the same: *i.e.*, for the first three months the creditor must endeavour to satisfy his claims from the society and the society only. It is only after this preliminary period that the difference appears. In the usual "unbeschränkte Haftpflicht," the unsatisfied creditors may now come upon

¹ Cf. Parisius and Krüger, *op. cit.*, Introduction, pp. 22-3.

members of the society individually. If none of these can pay their claims, they may after a second period of three months come again individually upon those members who have withdrawn within the last two years, provided the claims arise out of engagements made prior to their retirement. In the "unbeschränkte Nachschusspflicht," the creditors, acting together, can now make another call on the members, but this time the members include those who have retired within the last eighteen months, whether or no the claims arise out of engagements made prior to the retirement of the latter. The result either way is that the creditor is practically assured of payment. Subsequently, in the first case, the individuals who have paid for the rest can proceed against the society to recover all but the part falling to themselves. Subsequently, in the second case, the retired members of the last eighteen months can proceed against the society for the whole of the sum which they have paid, if the debts resulted from engagements contracted subsequently to their retirement, or for all but the part falling to themselves, if the debts resulted from engagements contracted prior to their retirement.

Organs of the Co-operative Society.

The different codes regulate to a varying extent the structure and functions of the society's organs. The German code regulates minutely both the structure and the functions of all the organs. The Swiss code regulates the structure generally and the functions of one of the organs, the Vorstand, in considerable detail. The Italian code gives a bare outline of structure; the Belgian code adds to this an outline of functions, which only holds if there is no specification already in the statutes. All the above codes, in giving a number for this or that governing body, are giving a minimum which it is allowable to exceed. Moreover, the list of organs is not exhaustive. New organs may be created for special purposes so long as they do not involve a violation of the law. The English code does not concern itself with fixing the constitution: it merely insists that the statutes shall specify what this is, in accordance with

Schedule II. of the Act of 1893, "Matters to be provided for by the rules of societies registered under this Act."¹

In France and Denmark there is no co-operative code and, therefore, no "co-operative" organ. Co-operative societies there are subject to the constitutional limitations imposed on the associations under which they are included. In effect, French co-operative societies resemble the Belgian in their constitution; and Danish co-operative societies resemble the English.

ORGANISATION AS REGULATED BY THE STATUTES WITHIN THE SCOPE ALLOWED BY THE LAW.

<i>England.</i>	<i>Switzerland.</i>	<i>Belgium.</i>	<i>Italy.</i>	<i>Germany.</i>
I. General Assembly.	I. General Versammlung.	I. Assemblée générale.	I. Assemblée generale dei Soci.	I. General-Versammlung.
II. General Committee with sub-committees of its own members.	II. Vorstand with special Kommissionen of its own members.	II. Conseil d'Administration.	II. Consiglio d'amministrazione.	II. Vorstand.
III. ———	III. Aufsichts-Rat.	III. Commissaires.	III. Sindaci.	III. Aufsichts-Rat.

The organs thus divide themselves in three:—general assembly, executive committee and supervisory council.

The functions of the general assembly in all countries are more or less the same:—the alteration of the rules and constitution, the acceptance of the annual balance-sheet, the appointment of officers and the fixing of the limits within which they must act, the final decisions with regard to the admission and withdrawal of members. The general assembly is the democratic element in the society. Each member has one vote only, although in Belgium and France it is legally possible to constitute classes of members with no votes and classes of members with more than one vote. This permission is, however, a mistake, and contrary to the spirit of the co-operative society. The executive committee are the legal representatives of the society. They conduct the business. They are responsible to the general assembly for

¹ Gray, op. cit., p. 116.

their actions, whether collectively, as in Germany, or individually, as in Belgium. The size of the committee varies according to the nature of the society, according to whether it is in the town or country, large or small, a store, a productive society, or a People's bank. But it is broadly true that the constitution is most democratic in England and Switzerland, where the committee of a store is a body of about a dozen working men, meeting weekly and dividing themselves into special committees of trade, finance, etc. In Germany the committee of a store of any importance is a small body of two or three paid officials, who take over many of the functions which are left in other countries to the salaried manager. The reason of this difference is historical. The German Konsumverein was moulded under the influence of the town credit bank, in which a large committee meeting weekly would be insufficient for the technical nature of the operations. The visitor to a German store does not meet the manager, as in England, but one of the members of the Vorstand. The equivalent to our manager, the Lagerhalter, occupies the position of a foreman.

The supervisory council is a kind of permanent delegation of the assembly, appointed to watch the conduct of the committee in the interests of the society. It has always a right to examine the books and accounts. It is usually larger in number than the committee; and it is never salaried. In England this third organ does not occur: so that the only check on the committee, beyond the general assembly, is the annual audit by a professional accountant, as laid down in the law.

NOTE ON FRENCH LAW.¹

WHEREAS Denmark has no special co-operative law by reason of the simplicity of its business problems and its matter-of-fact aversion to legal technicalities, France has been so dominated by the passion for legal symmetry that it could not bring itself to consider co-operation unprovided for in its existing legal structure.

There are two main pillars in this structure, the "code civil" and the "code commercial"; and by one or other or a mixture of these all co-operative societies are regulated.

First, under the civil code. Here the condition of registration is the absence of "commercial" profit, commerce being interpreted to be "buying to sell again"; *i.e.*, under the civil code a society must deal with members only. The advantages of the form are cheapness and simplicity of formation and the avoidance of the "patente" or tax on business; the disadvantage is the compulsory assumption of unlimited liability. Theoretically limited liability is possible, but practically not, because the limitation is invalid unless third parties are formally apprised of the fact at each transaction. This form is found suitable by some of the rural banks and agricultural societies.

Secondly, under the commercial code. Here the society may deal with non-members and limit its liability, but the expenses of formation are heavy (600-1000 francs).

The commercial code classifies business associations in three divisions:—

(1) *En nom collectif* (unlimited liability).

(2) *En commandite* (unlimited liability for the managers; limited liability for ordinary members).

(3) *Anonyme* (limited liability).

Before 1857 a co-operative society desiring limited liability

¹ *Cf.* Paris Exhibition, Class 107, *op. cit.*, pp. 393-399.

had to be "en commandite" because of the costliness of an "anonyme" charter. But this form was very inconvenient, because by the law of 17 July, 1856, the capital must be a fixed sum, and the shares, of which one-quarter must be paid up, not smaller than 100 francs. In 1866 a Commission¹ was instructed to consider the advisability of a special law for co-operative societies, but it rejected all proposals and instead caused to be passed the law of 1867, which, for their sake, introduced into the commercial code an alternative form, "à capital variable." This is applicable to all three divisions, but since co-operative societies, who desired the commercial form at all, desired it for the sake of limited liability, they naturally confined themselves to the "société anonyme à capital variable." Under this provision, the shares, which may not be singly under 50 francs, nor in all (to prevent big commercial houses using the form) over 200,000 francs, are non-transferable, except with the consent of the committee.

However, although nearly all the stores and many other co-operative societies desired registration as "sociétés anonymes à capital variable" for the sake of the limited liability, most did not exercise their other right, as a commercial society, of dealing with non-members. Consequently such societies have been brought under the hybrid classification, "société civile à forme commerciale." Under this form, provided only that they do not deal with non-members, they enjoy variable capital and limited liability: and at the same time escape the "patente" and the strict commercial regulations. This hybrid form was secured by the law of 1893.

To resume: co-operative societies are registered in one of three ways:

- A. Civil form: "société civile."
- B. Commercial form: "société commerciale."
- C. Hybrid form: "société civile à forme commerciale (according to the provisions of the law of 1893)."

¹ Enquête sur les sociétés de co-opération, Paris, Imprimerie Nationale, 1866.

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GLOSSARY OF GERMAN TERMS.

GERMANY.

SCHULZE-DELITZSCH UNION.

Allgemeiner Verband der auf Selbsthilfe beruhenden deutschen Erwerbs- und Wirthschafts-Genossenschaften = General Union of German Industrial Co-operative Societies based on Self-help;
or shortly, Allgemeiner-Verband = General Union.

HAAS UNION.

1st title, Vereinigung der deutschen landwirtschaftlichen Genossenschaften = Union of German Agricultural Co-operative Societies.

2nd title, Allgemeiner Verband der deutschen landwirtschaftlichen Genossenschaften = General Union of German Agricultural Co-operative Societies.

3rd and present title, Reichs Verband der deutschen landwirtschaftlichen Genossenschaften = Imperial Union of German Agricultural Co-operative Societies.

Provinzial Kasse = Provincial Bank } *i.e.*, Central Bank for
Central Kasse = Central Bank } a Single Province.

Reichs Genossenschafts Bank = Imperial Co-operative Bank (distinguish from Reichsbank = Imperial Bank of Germany).

RAIFFEISEN UNION.

General Verband ländlicher Genossenschaften = General Union of Rural Co-operative Societies.

Central-Darlehens-Kasse = Central Loan Bank.

Preussische Central Genossenschafts Bank (or Kasse) = Prussian Central Co-operative Bank.

STORES' UNION.

Zentral Verband deutscher Konsumvereine = Central Union of German Co-operative Stores.

SWITZERLAND.

Verband Ost-Schweizerischer landwirtschaftlicher Genossenschaften = Union of East Swiss Agricultural Co-operative Societies (East Swiss Union).

Allgemeiner Verband Schweizerischer Konsumvereine = General Union of Swiss Co-operative Stores.

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